THE ECONOMICS OF PROGRESS

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AUTHOR OF "TRADE AND TARIFFS," "THE EVOLUTION OF STATES," "THE FALLACY OF SAVING," ETC.

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PREFACE

THESE lectures were delivered in October–December, 1917, to the Political and Economic Circle of the National Liberal Club. They are printed mainly as given, but with some compressions, a few improvements of statement, some little annotation, some postscripts, and the inclusion of some passages omitted in delivery.

Their usefulness, I conceive, might have been increased by more systematic annotation from economic literature; but other pressing occupations make that impossible. Since, further, they make no pretension to constitute a systematic economic treatise, but aim only at a partial practical application of economic ideas to the great problem of "reconstruction," a larger array of authorities might suggest a much higher estimate of their lasting utility than I put upon them.

If they are at any point much outside of economic "orthodoxy," it is in their treatment of the scientific conception of Capital. As to that, the critical reader may be referred to a small treatise published by me twenty-five years

ago, "The Fallacy of Saving"—a somewhat unfortunate title at best, and one specially likely at present to appal the practical man. In self-defence, therefore, I may explain that the book is not at all a dissuasion to thrift, but a historical and critical study of the economic doctrine of saving for investment, from Turgot and Smith onwards, leading up to a view of the economics of Consumption. Such as it is, it presents the grounds for the view of Capital put in these lectures, and of a number of correlative positions there taken.

The vindication of Ricardo in the introductory lecture is, I trust, not irrelevant, though specially motived by the fact that 1917 is the centenary year of the issue of his chief work. It is meant to suggest to some readers that economic analysis is not a wholly uninteresting subject. It may be well to add, however, that I have never been uncritical of the great theorist. One of my earliest efforts in economics (apart from teaching a class) was an essay on Rent (1886), in which I criticised the theory associated with his name, and argued for the re-casting of it in a larger formula.

The further attempt to close the strange schism between "historical" and "analytic" economics is perhaps hampered by an air of hostility to the claims of the former, though that arises only in so far as they have involved disparagement

of the latter. That I set store by both modes of investigation is, I hope, indicated even by the occasional use I have tried to make of historical illustration. In my view, the "historicals" would do well to give more heed to economics, and the economists proper to give freer entrance to history. It seems time for both "schools" to bury the hatchet—if there be any polemists left who preserve it. The fact that Sir W. J. Ashley, who in 1888 set out a little defiantly on his valuable *Introduction to English Economic History and Theory*, has given us our only annotated edition of Mill, tells of a rational adjustment of objectives.

It will be observed that I have devoted two lectures to the crucial question of Population. This is not, I think, a disproportionate amount of attention to a problem which for over forty years I have held to be vital in the ratio of the neglect bestowed upon it. The relatively full handling of it seems substantially justified by the fresh discussion of the subject which began in the Press after the two lectures had been schemed.

December 1917.

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THE ECONOMICS OF PROGRESS

I

THE AIM AND USE OF ECONOMIC SCIENCE

THERE is an old standing and elastic dispute as to whether definitions should come at the beginning or at the end of a disquisition. In this case I shall please either both sides or neither by defining one of my terms at the beginning and the other at the end of my discourse. It will deal with the question of what economics drives at; what kind of knowledge it seeks and what kind of light it can be asked to give. After that discussion we can more usefully say what we mean by economics than we can at the outset, though there are dozens of definitions to choose from, all more or less suggestive.

But as to "progress," a definition is needed to avert philosophic debate; and I accordingly premise that by that word I mean "rise in quantity and quality of pleasurable life." Mere rise in quantity of life I should not so define: thereby hangs the economic problem of population,

which is still so commonly ignored in our current social science. Granted my definition of progress, for the purposes of this discussion, I would add that by such an inexact expression as "the economics of progress" I wish to convey the notion of applying economic tests and economic guidance on all the main lines on which national betterment is hoped for. It may be objected that such a service is always associated with economic science. But here again we touch on an old dispute, which seems to come to the front periodically. It is indeed hardly possible to talk of "applying" economics without raising it; and I now deliberately do so, with some hope of curtailing such dispute in future, as I happen to be in sympathy with both sides.

Quite recently I have seen a demand that political economy should become worthy of its name by becoming the guide of politics, with an implied denial that it had been so in the past. But both the demand and the denial have been made many times, which amounts to saying that some economists have repeatedly proposed to give guidance to politics—unless we are to suppose that the people who chronically condemn political economists have never themselves studied economics. In point of fact, to say nothing of Adam Smith and his predecessors, as early as J. B. Say and Sismondi economists were claiming to exist for the purpose of guiding

social and legislative action; and, on the other hand, economists have been many times condemned for the guidance they offered. Generations ago they were told that the "laws" they laid down for politicians were false dogmas; and that they really erred in supposing they could give any light to legislation. And at least a generation ago it had become the fashion for professional economists to protest that they had no dogmas to offer. Some of their predecessors, however, had propounded many principles of action which had the aspect of dogmas; and which certainly purported to be rules for action. And it would be strange if they had not.

Trouble, indeed, began with the use of the word "laws." Metaphor (to speak of it metaphorically) can be both the life and the death of exact thinking. It vivifies conceptions, and it also tends to denaturalise them; notably so in the case of the transfer of the word "law" from its political use to the domain of Nature, external and internal. The "laws" of physical science are simply statements of observed constancy of sequence in phenomena under given conditions; and whereas in physics the sequences can be stated in terms of invariables, in the domain of volition they can be stated only as averages of constant *tendency*. Economic law, therefore, is a generalisation of average tendency in the events it covers. Still, it *is* science just

so far as the case admits of science; and if economic science is supposed to attain to any important truths, they must surely be supposed to guide action, having regard to the subject matter. The trouble was that, as happens in the development of all sciences, some of the early theories were wrong; and that even when they were right they were far from winning general acceptance. If blame is fitly to be passed for the errors, it is certainly due also to many of those who have denounced economists for imaginary errors.

And this, I venture to say, applies to some professed economists—if, that is, we are to devote ourselves to dealing out blame in return for blame. The better course, perhaps, is to vindicate. A generation ago, and more, there was a fashion of decrying what were called the orthodox or classic economists, not for their fallacies, which were by such critics in general overlooked, but on the score that they had treated economics as a set of abstract problems, raising questions of how men tended to act in given economic circumstances, instead of going to history to find how they had acted, and learning, as we there would learn, that men were actuated by many motives besides those assigned in current economics to "the economic man," as the objectors christened the kind of normal man whom the economists rightly took for

granted in their reasonings. Further, the critics declared, it was this habit of abstract reasoning, without regard to history, that had led to the manufacture of false economic dogmas, of "laws" which did not operate, and of political precepts which obstructed reform.

That indictment, I maintain, was almost wholly astray. Wrong conclusions and mistaken precepts had been in certain matters propounded from the first by men who did study the historic past; and the "abstract" men really erred less in both regards than the others. Take the two cases of Adam Smith and Ricardo. Adam Smith, it has been justly claimed, is the real founder of the "historical school" so-called, some of whose German extremists have denounced him as the creator of an unreal or immoral "economic man." Economic history is the constant background to his reasoning. Yet he erred at times not merely in economic analysis, as when he said that rent was a factor in forcing price, but in extending his sound argument for freedom in trade to a disparagement of "protection" in the endowment of education; and yet again when, avowedly setting aside on political grounds his free trade principl/ with regard to the Navigation Laws, he gave a historically wrong account of their effects.

It is not now common to disparage Smith as a great pioneer economist because he thus made

mistakes. We begin to realise that pioneers cannot escape mistakes; and "science" in general may be said, in the words of Campbell-Bannerman, to have "come to the time of life at which we begin to think we may have made mistakes ourselves." I mention these, not to disparage one great economist, but in order to vindicate another. Smith was no blind dogmatist: he could learn. When Bentham pointed out his error in advocating laws against usury, Smith candidly avowed himself corrected. And his failure to rectify, after Hume's criticisms and Anderson's exposition, his statement that rent is a factor in the price of corn, is possibly due to the fact that in another passage he had stated the case correctly;[1] while he may have considered that Anderson's reduction of the concept of rent to economic surplus did not cover all the phenomena described by the word. But his discussion of mine rents, as well as his conflicting dicta on land rent, show that the phenomena perplexed him; and he never unified his view.

However that may be, these things are forgiven to Smith, on the ground sensibly put by McCulloch—who has been, I think, unfairly represented as an infallibilist—that a science involving so many considerations as enter into economics can be perfected only by slow degrees,

[1] Compare pp. 28, 67 of McCulloch's ed., 1839.

by much experience and observation, and by the patient labours of the "most ignenious men." But it has been otherwise with Ricardo. For some reason that can only be guessed at, the good-will shown to the Scotchman has been largely denied to the Jew, who was just as much a pioneer in most things as Smith; but a rather more circumspect one. Not only has he been assailed for dealing with the problem of rent as it faced him in his own country and in his own time; he was accused by Cliffe Leslie of having "ignored the essential difference between stationary and progressive society, between the ancient world with its *simple and customary methods and prices*, and the modern"—not to mention his being wrong as to the relation between profit and wages; and Professor Marshall, who incidentally showed that it was Leslie who was under a hallucination about stationary societies, has seen fit to put a defence of Ricardo which offers a rather worse example of the sin commonly charged on Ricardo than can be found in Ricardo's works.

It was in the year 1885, when dealing in his inaugural lecture with what may be called the Comtist attack on Ricardian methods, that Professor Marshall saw fit to defend the English economists in general thus—

"And as to their tendency to indulge in excessively abstract reasonings, that, in so far

as the charge is true at all, is chiefly due to the influence of one masterful genius, who was not an Englishman, and had very little in common with the English tone of thought. The faults and virtues of Ricardo's mind are traceable to his Semitic origin: no English economist has had a mind similar to his."

That paragraph always recalls to me Lincoln's desire to be informed of the name of the brand of whisky that Grant was accused of drinking, in order that he might send it to some of his other generals. We could do with more of the Semitic element in the economic field if it meant more Ricardos. If the "English tone of thought" involves the acceptance of Professor Marshall's explanation of Ricardo, it might usefully change its key. I could never understand how the eminent Professor supposed he was giving an explanation of anything in that pronouncement, or how he could suppose he knew what he said to be true. If we were to apply his method we should have to infer a non-English—possibly a Semitic—ancestry for Newton, who developed a line of thinking and of scientific analysis of which no previous Englishman seems to have dreamt. Professor Marshall cites no previous Semite who handled economic problems in Ricardo's fashion, any more than he mentions the fact that Ricardo abandoned Judaism. He was a Semite, and there's an end on't.

By this criterion, it was the Semitic origin of Goschen that determined his study of the theory of the foreign exchanges; and equally it must have been Marx's Semitic origin that alone made possible his kind of socialism, his historical philosophy, and his fierce moral attitude to the matters on which Ricardo so tranquilly abstained from moralising. And when we find the late Leone Levi handling the subject of "Work and Pay" with much moral fervour and poetic quotation, we must refer those phenomena also, if we are to follow Professor Marshall's theory of psychic physiology, to Levi's Semitic origin. If this is to pass for scientific method, the question is, should we have explained or settled anything if we did?

I fear it is not for me to pretend to speak with authority of the "English tone of thought"; and if I point out that McCulloch's mind found itself much in harmony with Ricardo's I may elicit some festive thesis about affinities between the Scot and the Semite. But I recall that it was not only the Scots, Hume and Anderson, who anticipated Ricardo in seeing the economic nature of British rent. The Englishmen, West and Malthus, did so also; and all four seem to have proceeded quite independently. And when we remember that the principal contribution to English economic theory after Ricardo is commonly held to be Jevons's doctrine of

marginal utility, and that that doctrine long found little recognition in England, we are yet again set asking whether Jevons ought to be regarded as alien to the English tone of thought, and whether a new phonetic force should be given to the *v* in his name.

It is all the more edifying to note that Jevons in turn was a hot assailant of Ricardo, not on the score of being too abstract, but for not being abstract enough. Jevons's own abstraction consists broadly in getting the simple mathematical formula for every economic relation; and with this procedure Professor Marshall appears to be well pleased, though it may be doubted whether Jevons would have reciprocally applauded the other's non-mathematical expositions. For Jevons, Ricardo's treatment of the subject of wages was a business of "mazy and preposterous assumptions";[1] the true doctrine, attained at an early date by "the French school" (*i. e.* French economists in general), being that "wages are the share of the produce which the laws of supply and demand enable the labourer to secure." It is a simple and pleasing doctrine, albeit abstract. And if Ricardo tried to get a little further into things, it was not in virtue of being more abstract, but of a concern to be concrete, after the manner of Adam Smith. In a word, Jevons's formula of

[1] *Theory of Pol. Econ.*, 2nd ed., Pref., p. xlix.

wages amounts to nothing beyond stating the law of wages in the same way as the law of market price. "You take" (if you can't help it) "what you can get."

Now, Jevons's "simplism" neither meets the demand of the historical school for a retrospective treatment nor faces the complexity of the facts. Ricardo, seeking a sociological or "philosophical" view of wages, first posited a "natural" wage which should just enable the labourer to subsist and propagate without undue increase, and then proceeded to note factors of deviation. It was doubtless a sketchy analysis; and when it attains to a recognition of the fact that a wage tolerated by one country's standard of comfort will not be tolerated by another's, we feel that the method is awkward, though hardly "mazy and preposterous." Nevertheless, the results constitute or contain some really decisive economic truths, whereas Jevons's entirely "abstract" generalisation leads nowhere. Ricardo's speculations have given rise to endless thinking; and Marx based his Socialism, broadly, on his interpretation of them. Right or wrong, they were fruitful.

Jevons's general judgment of Ricardo is that "that able but wrong-headed man . . . shunted the car of economic science on to a wrong line; a line, however, on which it was further urged towards confusion by his equally able and

wrong-headed admirer, John Stuart Mill." [1] Science ought to be able to be a little more explicit than that, which informs us merely that Jevons disagreed, with irritation. If we examine his own "Theory," however, we get, besides his cherished abstractions, very little indeed that can either guide or warn us as to policy, as Ricardo and Mill alternately guide and warn, even when they go astray. After his disparagements, Jevons leaves standing his avowal that he accepts Ricardo's view of circulating capital,[2] and, as regards his theory of capital in general, adds that "the views of the nature of capital expressed in this chapter generally agree with those entertained by Ricardo and various other economists." [3] His own work, in fact, consisted simply in reducing to their most general forms the Ricardian abstractions, certainly making the matter much less interesting and incomparably less suggestive.

What Cliffe Leslie would have had to say about this abstracting of the abstract, we cannot well guess. That formula about wages, one would suppose, would have evoked from him an anathema. Sooth to say, his own language about stationary and progressive societies is that of a false historical theory, uncritically

[1] *Theory of Pol. Econ.*, 2nd ed., Pref., p. lvii.
[2] *Id.*, p. 263.
[3] *Id.*, p. 280.

adopted from Maine,[1] and at once apriorist and empirical; that his phrase about the "simple and customary methods and prices" of the ancient world is as ill-grounded in history as it is in economic theory; and that his censure of Ricardo's doctrine in regard to the relation between profits and wages expresses simply a failure to understand what Ricardo was driving at. We shall see that in a later lecture; but it is really worth while at this point, when we are questioning what economic science can do, to note how Leslie's theorem of "simple and customary prices" in antiquity relates to Professor Marshall's conception of Semitic heredity. The ancient Semites, it would appear, were in Professor Marshall's view hereditary specialists in abstract reasoning; and Ricardo had not only a propensity that way, but a gift for making money on the Stock Exchange; but on Cliffe Leslie's view his ancestors in Palestine had no notion of haggling in the market. Ricardo, I fear, would not have thought the proposition worth discussing; but even the historical student must be at a loss to understand how Leslie, following the lead of Maine, who made so much of Genesis, could contrive so completely to ignore the narrative of Joseph's dealings in corn, to say nothing of twenty other Biblical and Homeric references to matters of prices.

[1] See the author's *Buckle and his Critics*, 1895, pp. 402 *seq.*

You will see I am making a stand for the economic method of Ricardo. Cliffe Leslie was an able man, well worth reading still at many points; but Ricardo was a greater than he. His attack on Ricardo was part of a largely fallacious movement of reaction, stimulated by early Comtism, against economic analysis as such. It was part of Comte's personal equation, which so largely shapes his particular system, to be impatient of all exact scientific thinking save that kind for which alone he had personal qualifications, to wit, the mathematical. He disparaged political economy as he disparaged psychology; and some of his followers, who shared his limitations, indemnified themselves by clamouring to have economics swallowed up in sociology. Now, I entirely agree with them that economics should become ancillary to sociology, as should all the human sciences; but this is not in the least practicable by their plan of abandoning economic method in economics. Every science, whatever be its ultimate service to sociology, must be carried on for its own purposes by men bent on sheer truth *in* the given science. To tell them to turn their specialism into a branch of sociology, carrying it on for prescribed sociological ends, is to try to turn them into a sort of superior quacks.

And since some of the Comtists have seen fit to pass unsparing censure upon the scientific

economists for not being historico-sociologists instead, we are compelled to point out, as did Professor Sidgwick in his 1885 address on "The Scope and Method of Economic Science," that Comte's own sociology, as finally presented by him in a forecast of the necessary evolution of Europe, is the most appalling collapse in sheer folly to be found in the history of modern culture. That forecast proved, as Sidgwick said, "how completely the delusive belief that he had constructed the science of sociology could transform a philosopher of remarkable power and insight into the likeness of a crazy charlatan." [1] The worst that sane criticism can say of Ricardo and Ricardo's methods falls immeasurably short of that. The work of Comte has simply to be done all over again, by men who either cultivate or assimilate true historic science, and all the "human" sciences, in a way that he did not.

John Mill totally failed to do it; his dream of an "Ethology," or science of national character, is a hopelessly unscientific conception, from which he might have been saved by the analogy of the economic science which he did study. It was a mere blind alley, as he tacitly recognised by turning away from it. And other men of his day fared no better. It is not scientific historiography to set out as Maine did with the assumption that the vast complex of ancient

[1] Address cited, 1885, p. 55.

evolution is to be solved by taking Genesis as your groundwork. Maine's *Ancient Law* is now discredited because, professing to be historically inductive, he was not so, but simply backed tradition against preliminary scientific hypotheses. His formula of progressive and unprogressive societies is a bad historical fallacy, corrected long before his day by men whom he would not take the trouble to read, and finally receded from by himself. And where Maine fails the à priori sociologists, who despised psychology and economic analysis, and thought to reach economico-sociological science by hand-to-mouth induction from lightly-scanned historical records, have failed much more seriously.

But here again let me guard myself. It is because I profoundly believe in the possibility and the necessity of sociology that I condemn the unscientific handling of the task. Since 1885, truly scientific work has been done in sociology, in France and in the United States, by men who did not make light of the methods of economic science. They take the right course of studying their science upon *its* own lines. You will never attain a scientific sociology save by the scientific cultivation of all the ancillary human sciences; and that can never be attained by men who make light of the first requisites of scientific method. Obviously there is no

more important branch of history than that of social conditions; and those who competently cultivate it may do a great service to economic knowledge. But when they set out by assuming that they are either superseding or constituting economic science proper; that the work of tracing guild history and medieval commerce and feudal production and tenures and so on does away with Ricardian analysis of economic transactions, they are partly undoing their own useful work.

So much am I in sympathy with that work that I believe it can be made in a high degree helpful to the spread of economic science, properly so-called. Just as in the teaching of logic, so in the teaching of economics, there is a danger that concentration on an abstract analysis shall make the study repellent to the many people who have no natural bias to such analysis. It is an old complaint that logic in particular is turned to utter futility for youth by its reduction to a set of symbolisms in which one can see no relation to the actual tasks of reasoning on living problems. To teach logic by way of reasoning on interesting questions, instead of dead formulas, is a method so obviously sound that only the fear of raising "burning" questions in the academic world can explain its avoidance. In the case of economics, save perhaps as regards the one issue of free trade, there is no such

excuse; and from personal experience I can recommend to teachers the habitual use of historical illustration in economic teaching. It vitalises the theoretic knowledge. But, observe, the theoretic science must be studied at the same time, if the historic procedure is to be sound. The grossest economic errors are to be found put forth by living historians of the highest eminence when they attempt economic solutions without proper economic preparation.

When, then, Professor Marshall saw fit to censure Ricardo on the score that he "omitted" certain lines of historic or social investigation,[1] I cannot but think that he lapsed in critical method. Ricardo was not a professor, called upon to convey a complete course of instruction, lasting through years, to a set of special students. There were no economic chairs in his time, and there was very little economic science. We know from John Mill that Ricardo would not have written his book at all but for the entreaty and strong encouragement of James Mill. He was from his boyhood a stockbroker, and, having made his fortune, he devoted himself with the most marked public spirit to public service, sitting for four years in Parliament, and all along setting himself to elucidate the great economic problems of the hour—notably that of currency and that of the Corn Laws. His

[1] Inaugural Address, 1885, p. 19.

principal book, which, be it observed, was not entitled by him "Principles," but "*On the* Principles of Political Economy and Taxation," he published in 1817, while he was still on the Stock Exchange. Leaving that arena, having made his fortune, he entered Parliament in 1819, with only four years of life before him. In that period, besides attending carefully to his duties in the House, he wrote his essay on the Funding System (1820); his masterly pamphlet on "Protection to Agriculture" (1822); and his "Plan for the Establishment of a National Bank" (1823). If I did not believe that Professor Marshall has thought better of the criticism he put forth in 1885, I should be disposed to comment adversely on the kind of blame he passed upon the work of a man who so filled his little leisure with public service of the rarest value. But the Professor has embodied those parts of his address in his *Principles of Economics*, where he has brought the charge of narrowness against other great pioneer thinkers on social science, not on the score of any bigoted rejection of truth, but simply because they left something to be done by their successors. It is as if one should blame Copernicus for not doing the work of Kepler and Newton.

And this has maintained the fashion of unjust disparagement of a man whose work visibly widened the boundaries of science, and who,

when tried by the fair test of his capacity relatively to the best ability of his own time, can be seen to be head and shoulders above all in his chosen field. There are standards and tests of right criticism as well as of right reasoning in economics; and when we find the anonymous *Britannica* article on Ricardo imputing not only "narrowness" but, in effect, hardness of heart to one of the most actively benevolent of men, we are entitled to ask those who constantly put forward a demand that economics should be a sympathetic study of "the real life of men as they actually are or have been," whether they think they are conducting by that standard their own criticism, where beyond all question it ought to be applied. While some English writers thus uncritically belittle a great founder of English economic science, Wilhelm Roscher, the most learned of all writers on economics, and the modern founder, after Smith and Jones, of economico-historical methods, avowed that he "gratefully availed himself" of Ricardo's results; and it is the verdict of Sidgwick that there has never been "any fundamental disagreement between Ricardians and Roscherians as to the right method of studying the history of economic facts." [1]

How should there be? Economic historiography, as hitherto practised, is not really a

[1] Address cited, p. 32.

rival economic method. It is not a study of economic transactions as such, but a tracing of economic institutions and life conditions generally. At most, it sometimes checks a modern generalisation by old data—seldom to much purpose. Ricardo, a man of business, whose little leisure had been given to economic and physical science, and who had little further help to the knowledge of past economic history than had been given him by Adam Smith, dealt with economic problems as they lay before him. In regard to the problems of value, price, rent, wages, profits, money, and taxation, he took the only possible economic method, that of analysis of tendency as measurable by money motive. It is, as Cairnes pointed out, the logical substitute for experiment in matters in which there can be no experiment. Roscher's method was to take either theories of social forms or the theoretic results which Ricardo and others had yielded him, and go to history for illustrations—a method which deserves only praise. But if it be suggested that Roscher has added more to economic knowledge than Ricardo did—a thing which Roscher himself would never have claimed—I venture an emphatic denial. No new economic truth is associated with the name of Roscher—though he had the merit of looking at all the doctrines of the past, and partly recognising that there was something in the case put by Lauderdale and

Sismondi against Smith's optimistic belief in the absolute economic virtue of parsimony.

I say this with nothing but good-will for Roscher, for whose research every student of economics ought to be grateful. He was one of the last of the Germans to teach economics in an international spirit; and in his *Politik* he made a manful stand against Cæsarism at the height of the Bismarckian era. But that does not make him a great economic thinker. In the same volume of the *Britannica* in which Ricardo is disparaged, Roscher, by one of the pleasing chances of cyclopædics, gets scant praise; and his way of contrasting the historic with the "philosophic" method in economics is pronounced "unfortunate." Professor Marshall, on the other hand, declares [1] that—

"it would be difficult to over-rate the importance of the work that has been done by the great leaders of the school in tracing the history of economic habits and institutions. It is one of the chief achievements of the age, and is *an addition of the highest value to the wealth of the world.* It has done more than anything else to broaden our ideas, to increase our knowledge of ourselves, and to help us to understand the central plan as it were of the Divine government of the world."

When a distinguished professor of economics writes in that strain, we are entitled to ask

[1] Address cited, p. 39.

critically what he means. In the same address, just before this panegyric, Professor Marshall had emphatically declared [1] that "It is vain to speak of the higher authority of a unified social science" —here agreeing with Professor Sidgwick. "Economists," he adds, "would gladly find shelter under its wing" if it existed. "*But it does not exist; it shows no signs of coming into existence.*" What then is the meaning of that pronouncement as to the "great achievement" of the historico-economic school in helping us "to understand the central plan as it were of the Divine Government of the world"? If sociology, the "unified social science," not only did not exist but showed no signs of coming into existence, what *can* be the justification of the other hyperbole?

The problem in Professor Marshall's case seems insoluble; and I can but add that when he writes further [2] of the "boundless gratitude" due to the great thinkers of the historic school," he seems to me to add misuse of language to hyperbole. Ricardo he admits [3] to have "added more to the theory [of economics] than any one else"; but to him no gratitude is offered; only reproach for narrowness, because he did not in his little time, spent in clearing the path of theory through the jungle of the phenomena, devote himself also to a wide historic or social survey. But if that reproach were as just as it is unjudicial,

[1] p. 35. [2] p. 51. [3] p. 32.

it would still be unwarrantable to speak of the historic researchers as "great thinkers." No English usage, academic or other, warrants such a description of such men. Roscher justly gave that title of "great thinker" to Ricardo,[1] he did not claim to have superseded him. Diligence in the tracing of economic history, without the attainment of any new sociological law—and Professor Marshall expressly declares that none has been attained—is not a display of great thinking.

The residual fact is that science in history has advanced slowly because the historians, whether economic or not, are not only not often great thinkers, but too often not even exact thinkers in the matter of induction as to historic causation. Professor Marshall himself has pointed out, as Bagehot and Cairnes and Mill did before him, and as Sidgwick did contemporaneously, that sociological facts do not yield their theoretic interpretation by the simple statement or collation of them. There too there is needed a process of historical analysis, a calculus of the play and consequence of motives, just as in economics proper; and of such scientific analysis not one historian in ten ever seems to think. The most diligent workers, the men who faithfully master all the documents, constantly seem to suppose that beyond that no intellectual effort

[1] *Die Grundlagen der Nationalökonomie*, § 154, note 7.

is required; that the comment, the interpretation, the sociological induction and deduction, are to be done by simply offering more or less plausible reflections. I freely grant that most of the economists have at times talked sheer nonsense—something worse than erroneous reasoning. Smith did, when he affirmed that nature helped in agriculture but not in manufactures; McCulloch did when, to prove that labour was needed to create value, he spoke of the industrial effort of plucking fruit or raising water to the mouth.[1] The brilliant and accomplished Cairnes did when he alleged [2] that "the wages of a day-labourer and the salary of a minister of state depend on the same principle—the demand for and supply of their services." Mill did—and this to my thinking is the most distressing instance of all—when he argued round and round in a vain circle to prove that "demand for commodities is not demand for labour." Needless to say, I shall be lucky if you do not detect some nonsense in these lectures. But I confidently affirm that nonsense as hopeless as any of these samples is constantly being propounded by historians in their attempted explanations of historical evolution.

Time does not permit of any full exhibition of examples. We may sum up that, just because

[1] *Principles of Political Economy*, 2nd ed., 1830, p. 66.
[2] *Logical Method of Political Economy*, 2nd ed., p. 12.

of the greater breadth and complexity of the issues involved, empiricism in historical interpretation means a greater depth of error; and the further circumstance that there is so little systematic criticism of historical generalisation, as compared with the constant play of it in economics, leaves the scientific interpretation of history in many hands in a state that may fairly be called lamentable. But, to return to our special theme, even the specialists in economic history, who are supposed by the champions of that study to be in a position to reach truths that economic analysis cannot yield, have wholly failed to justify those large pretensions. As Professor Sidgwick put it a generation ago,[1] when we turn to the economic content of their work as done in Germany "we find everywhere the old economic motives assumed and the old method unhesitatingly applied. The proof of the pudding, as the proverb says, is in the eating; but our historical friends make no attempt to set before us the new economic pudding which their large phrases seemed to promise. It is only the old pudding with a little more ethical sauce and a little more garnish of historical illustrations." Much admirable research in economic history has been done since Sidgwick so spoke; but his generalisation holds good, and that of necessity.

[1] Address cited, p. 36.

In our own day the value of the ethical sauce becomes a rather pungently interesting question. For if it was at all the business of the economist to concern himself as such with ethics in the economic relation, the need must have been at least as pressing in international as in national affairs, were it only because international ethic is notoriously the more backward, and is on the other hand clearly a factor in international trade. And if there is anything on which economic history might be expected to throw light, it would be on international relations. Now, among the German *literati* who have taken part in the debate on the causation and guilt of the present war, there have been at least three economists of the historical school or schools—Schmoller, Brentano, and Sombart. Of Brentano I have to say with special regret that even before the war he put forward the assertion that if Britain would only consent to recognise private property at sea in naval war, the German policy in naval armaments would soon change; whereas the facts were, as he could easily have ascertained and ought to have known, (1) that the British Government had repeatedly expressed to the German its willingness to make private property at sea immune, if only the German Government would make such agreement a basis for concurrent restriction of naval armaments; and (2) that the appeal was met again and again by an absolute

refusal. And now the German Government has made an end of every shred of right of private property in war on land that was ever recognised by jurists, save only in so far as it respects some foreign rights in order to secure its own.

Schmoller was commonly bracketed with Brentano as a reformer in his earlier days; and in an old polemic with Treitschke he made a stand for principles of sympathy and social amelioration as against the brutal conservatism of his colleague. But in making that stand he avowed that he had been entirely at one with Treitschke in his ideas of historical interpretation; that is to say, that he was a German Nationalist and a German nation-hater. To some of us it is therefore not in the least surprising to learn that Schmoller, who died the other day, has contributed to war literature the prediction that "England will seize Calais." "Fortunately," writes Dr. Epstein, who communicates the report in the *Economic Journal*,[1] "it will not undermine his position as a scholar." Possibly not; but what about his repute as an interpreter of history, which is what he mainly undertook to be? What is the thinking or judging power of the mind that gave out that prediction? And when a man shows himself thus devoid of comprehension as regards the history of his own day, what reason is there for supposing him

[1] Sept. 1917, p. 438.

to have understood the history of the past? The critical account of Schmoller would appear to be that he stood with Treitschke at a historic standpoint of primary racial or national prejudice, reading international history as a mere unmoral partisan, but differed from Treitschke in prescribing a sympathetic temper towards Social Democracy. In other words: "As much Prussic acid as you like for other nations; but sympathy for our own populace."

Of Schmoller we are told that "The English classical economists did not appeal to his mind, which was essentially realistic, abhorring all dogma and theory and caring only for facts"; also that his influence as a teacher was immense, and that he was the chief "Professor-maker" for Germany in his day. So his has been the influence which above all others may be supposed to have shaped the ethic that served as "sauce" in the German economico-historical teaching of the last generation. It would seem to follow that in the matter of playing "procuress to the lords of hell" the post-Roscherian historical school has outgone all the achievements falsely ascribed to the Ricardians, who in their "narrow" way were promoters of peace on earth.

To Sombart, who survives, must be accorded the status of high-priest of war for war's sake among the Germans of his generation. His book on "Socialism and the Socialist Movement"

he wound up with a dithyramb on the naturalness and the beneficence of war, "the father of all things," this by way of making out that "class war" is or may be a purifying and elevating thing. War is "natural, just as much as the thunderstorm is natural"—or, we might add, as rape and murder are natural. "Only he who regards war as something artificial, brought about by wicked men, will think that the motives of his opponents are wicked." How then does the Sombartian gospel of war work out for the World War? "It is quite possible," wrote Herr Sombart in tuning up for his dithyramb, "to respect the man in one's opponent. Have we not all been able to do so in our own experience?" That apparently referred to the life of peace; but the dithyramb expressly justifies the position of "one who regards war *and* struggle as having been the means of bringing about all that has occurred in history."

Such is the promise; what is the proof, of the pudding? In 1915, Professor Sombart produced a book on *Händler und Helden*, "Traders and Heroes," in which, even as the Hero-Kaiser pronounced on the "contemptible little army," the Professor discourses on the contemptible British people. The very case of the tribute paid by them to Captain von Müller of the *Emden*—the very case in which they avowed their respect for a brave, dangerous, and yet

honourable enemy—this is taken by the learned Professor as illustrating simply the debased and "disgusting" English idealisation of "sport," which is the correlative or symptom of English ignobleness in general. So that the dithyrambist, the high-priest of war, is not only himself incapable of respecting an opponent in war, but is astounded and disgusted when the opponent actually exhibits chivalrous respect for a chivalrous foe. The mere use of the word "sporting" has stupefied his judgment; he does not know that it means "chivalrous"—"playing the game honourably, but intrepidly." The high-priest of holy war turns out to be the vulgar German of war and commerce, foul-tongued, brutal, boastful as a savage, drunk with self-praise, and therefore, in his own eyes, God's Anointed. And all the while the pæan to war goes on, in full blast. "Here the Godhead reveals itself"; war is "a holy thing, the holiest on earth"; "we are a people of warriors"; "Militarism is Potsdam and Weimar in sublime union." And the Rape of Belgium, we may add, is doubtless Olympic.

After this, one returns with some sense of security to the economists who took honesty for granted in their analysis, and did not profess to find much light for economic science in the study of the historic past with its panorama of war and rapine, slavery, cruelty and shame. Not that they ever made light of historical investigation.

I can imagine some of them studying that side of things and coming to the conclusion that it called for more scientific judgment than most historians seem to possess. However that may be, it is instructive to learn that in Germany itself, led by the Treitschkes and the Schmollers and the Sombarts to its present happy predicament, "the historical school is said to have had its day"; and that "in many quarters the demand is made that business men should take part in economic teaching at the universities." It seems that the professors, so generally selected by Schmoller, "are associated with the slaughter of the pigs, which has brought them into bad odour." [1] And though I am far from inferring that because Ricardo was a good man of business, therefore a man of business will make the best economist, I can well believe that in the matter of the pigs either a Ricardian or a man of business would have given better counsel.

I will not at this point refer you further to the Germans. But I will invite you to study the work of our two English professors, Thorold Rogers and Dr. Cunningham, on "The Economic Interpretation of History" and "The Growth of English Industry and Commerce," and say whether they yield any new scientific light on economic problems. You will certainly find in Cunningham valuable and interesting collections

[1] Dr. Epstein, in *Econ. Journal*, Sept. 1917, pp. 432–3.

of facts not to be gathered from the ordinary histories; and to that extent you will very usefully vivify your conceptions of historic evolution. But I warn you that in the first you will find much rashly speculative and erroneous treatment of historic fact; and in the second some fallacious handling of economic inference —when any inference is offered.

On his first page, Rogers protests that "in nearly all histories, and in nearly all political economy, the collection and interpretation of economic facts have been habitually neglected." The charge is quite true against ordinary histories, which, even when they speak of commerce, generally fail to indicate its exact nature and its exact movement; and which as a rule seem to take peoples in the past as having necessarily subsisted somehow, without ever trying to realise the how. Broadly speaking, they are constantly dealing with the national organisations and frictions of aggregates whose individual way of life is taken for granted. But when Rogers wrote, there had been produced scores of treatises dealing with the economic life of many countries; and unless these are irrationally excluded from his survey as being neither "histories" nor "political economy," Rogers is simply denying their existence. He seems to have known nothing of German economics, or of the special researches made in France and Italy. Arnold

Toynbee, who *could* recognise the problem of economic science, and who vindicated the "deductive method," had outlined a piece of industrial history in terms of economic life much better than Rogers has elucidated any period whatever. And he took an amount of trouble about his facts which Rogers never took.

One of Rogers's first accusations against "the political economist of the later school," with whom he appears to identify the Ricardians, is that of "obtaining the largest possible result at the least possible cost of labour"—in other words, of shirking as far as possible all labour. He for his part claims to verify his conclusions. Two pages later, we find him affirming that in the Plantagenet period England was "the only wool-producing country in Europe." In the next paragraph we are told that England had a "practical monopoly"; and that this was the result of the king's peace, seeing that in no other country did husbandmen dare to keep sheep. In the next paragraph, the monopoly again becomes "complete." If any Ricardian economist had ever talked like this, there would have been some justification for an attack on his indolent "method." No one ever did. It is left for the professed zealot of historic-economic verification to write economic history with no verification, and, while professing a purely inductive method, to proceed on deduction of the most

reckless kind. The assertion under notice is wildly wrong. Spain and Portugal were exporting wool all the time. About the year 1338, Florence, having coarse wool of her own, was importing finer wools "from Tunis, Barbary, Spain, Portugal, Flanders, *and lastly even from England.*" In 1308, her large manufacture of coarse woollens had been carried on "with no intermixture of English wool." [1] In 1262, mention is made of importation of Spanish wool into England.[2] Flanders imported her wool chiefly from England *and* Spain, through the whole period,[3] though the English was then reckoned the best.[4]

Observe here that Rogers reaches his false fact by way of spurious deduction—trying the very economic method which he is always denouncing,

[1] Villari, *First Centuries of Florentine History*, 1901, p. 319, citing G. Villani.

[2] Cunningham, *English Industry and Commerce*, 4th ed., I, 314, note.

[3] Gibbins, *Hist. of Commerce in Europe*, 1891, p. 83; H. Scherer, *Histoire du Commerce*, Fr. tr. 1857, i. 368, 371–2.

[4] When Smith wrote, this was no longer the fact. English manufacturers continued to support their demands for protection by asserting that English wool was the best, and essential to the finer manufactures of other countries. Smith replied: "It is so perfectly false that English wool is in any respect necessary for the making of fine cloth, that it is altogether unfit for it. Fine cloth is made altogether of Spanish wool. English wool cannot be even so mixed with Spanish wool as to enter into the composition without spoiling and degrading, in some degree, the fabric of the cloth" (Bk. IV, Ch. VIII).

and which he misapplies because he knew not how to handle it. The export duty on English wool, he alleges, was entirely paid by the foreign buyer; and this, he says, could happen only under four conditions: (1) the article taxed must be a necessary of life, for which (2) there could be no substitute, and (3) in the use of which there is an appreciable economy; and (4) there must be "absolutely no other source of supply." Taking for granted without proving it, that the English export duty on wool was wholly paid by the foreigner, he deduces that England must have been the only source of supply. All this parade of spurious "Ricardian" argument falls, then, at once, since the last condition did not exist.

And this is typical of Rogers's work. On the very next page he tells how he discovered a cause, "hitherto unsuspected," for the "sudden and enormous increase of price in all Eastern products at the close of the first quarter of the sixteenth century." As to this sudden rise in the price of all Eastern products, no detail or reference is given by Rogers in all his many reiterations of this assertion; but that may pass, in view of the prodigy of his explanation. Looking for the cause, he found it in "the conquest of Egypt" by Selim I (1517), which "blocked" the only remaining road that the Old World knew to India. All this again is hallucination.

The causation alleged was certainly "hitherto unsuspected," because it did not happen. Selim did not close Egypt: he made a new treaty with the Venetians, and their Eastern trade went on as before.

Now, this false fact, which Rogers alleges in four of his books, and four times in one of them,[1] is by him constantly and confidently affirmed to explain not only the alleged rise in prices but the decay of the Italian cities; the ruin of the trade of Alexandria, an alleged cessation of the trade of the Rhine and the Danube, which impoverished the German barons, who thereupon pillaged their peasantry, thus bringing about the Peasants' War, and yet other phenomena. "Nothing," he assures us, "has been more entirely ignored by our paste-and-scissors historians than this fact and its consequences." [2] "Historians," he says again, "are of course completely ignorant of anything but the fact." And he continues: "This event entirely destroyed commerce with the East, of which the centre was, and had been for two centuries at least, the city of Alexandria; and it was only in time, *and that a time long deferred*, that it was restored by means of the Cape Passage." [3] The historic facts being (1)

[1] *Econ. Interp. of Hist.*, p. 11; *Six Centuries of Work and Wages*, p. 157; *Holland*, p. 49; *Indust. and Comm. Hist. of England*, pp. 8, 93, 369, 400.

[2] Last cit., p. 93.

[3] *Id.*, pp. 400–1. Cp. *Six Centuries*, as cited.

that, as aforesaid, the trade through Egypt still went on; (2) that the Eastern trade through Aleppo increased under the Ottomans, Alexandria being *not* the sole centre for that trade; (3) that the Cape Passage was established by Vasco di Gama in 1498; and (4) that a large Portuguese trade with the East followed immediately, so that as early as 1503 pepper was brought to England in Portuguese ships.[1]

Thus the whole thesis on the strength of which Rogers flouts all the historians, as he had flouted all the economists, is a tissue of gross historic errors. He burkes the real economic history, and invents a false one. Of verification he never dreams. Both Scherer and Heyd give the facts as to the continuance of Eastern trade by Egypt and Syria after Selim's conquest;[2] and the facts as to the Portuguese trade by the Cape are notorious. Rogers simply made a heedless guess, and violently reaffirmed it many times over, with a fusillade of aspersions to support it.

Take, yet again, his astonishing thesis, propounded in at least two of his books, that the chief source of the silver supply of Europe, before the discovery of the New World, was *England*.[3] For this "hitherto unsuspected" fact, in turn, not a single historical testimony is offered. It

[1] Heyd, *Hist. du Commerce du Levant*, Fr. tr. 1886, ii, 526.
[2] Refs. in *Evolution of States*, p. 222.
[3] *Econ. Interp.*, p. 186; *Indust. and Comm. Hist.*, p. 327.

is simply a blind guess put with an " I believe " : the silver, he thinks, was extracted from sulphuret of lead. Such working, we know, there was; but that is the sole ground for the theory that it yielded the main silver supply of Europe—a thing incredible,[1] and never hinted at by any chronicler; whereas there is abundant evidence as to the output in Germany.[2] Such, then, is the economic interpretation of history, as reached by the inductive and deductive faculty of an economist specially distinguished for his explosive contempt of economic theory and his professed concern for historic verification. Of all economic historians, past or present, Rogers is perhaps the most untrustworthy. His generalisations in regard to old agricultural conditions, though professedly founded on documents, are as untrustworthy as the others, seeing that he constantly draws from his scanty data illicit inferences,[3] at which Ricardo would have stared. And though Dr. Cunningham's historical work is incomparably superior in point of range and verification, and often though not always corrects Rogers, he hardly pretends to reach general truths; so that of guidance for action in respect of our own social problems you will find in him, I may say, surprisingly little.

[1] Cp. Cunningham, II, 3, note 3.
[2] *Evolution of States*, p. 460.
[3] Cp. Cunningham, I, 327, 399, 449, notes; 450, 522.

That criterion of guidance for action raises another old and recurrent dispute. Professor Sidgwick in the last passage cited from him speaks of the " ethical sauce " served up by the German historical school of economists. Now, I will no more make light of the bearing of ethics than I do of the importance of true history in the discussion and comprehension of social problems. But again I will venture to vindicate the methods of science proper in economics as against those who, before and after Ruskin, have reproached economists for positing an " economic man " who is entirely selfish, and for inquiring only *how* things go in industry and commerce, not how they ought to go, or how often they go morally wrong. Professor Marshall casts his stone in this direction also, censuring the Ricardian economists for lack of sympathy with labour, and so on. Again I rejoin with a charge of bad criticism; and repeat that there are principles of criticism as well as of economics; that *they* are partly ethical; and that this sort of criticism is unethical as well as unscientific.

Ricardo did not profess in his writings to discuss the ethics of the social system. Even in politics, he was more occupied in elucidating difficult concrete problems which few people even tried to understand than in appealing to moral emotion with demands for a radical reconstruction of society in the years immediately

following the battle of Waterloo, when English public life was more brutally reactionary than it has ever been in later periods. Did he then do a disservice to the cause of labour? Professor Marshall blames him on the score of "giving an opportunity to sciolists to *misapply* economic doctrines." By hook or crook, Ricardo must be made responsible for not having put everything right. Did his expansive successors, then, do so much better? Mill supplies, if not "ethical sauce," at least an abundance of sympathetic language; and he elaborated the sophism about demand for commodities not being demand for labour by way of showing how good citizens might help labour. As it was a pure nullity, it could yield no fruit in action. On the other hand, he had adopted and formulated the "Wages Fund" theory, which was more frequently than any other economic formula employed by "sciolists" to condemn strikes. And in the end he withdrew that formula, as he well might, since that too was an argument in a circle.

What then did Ricardo teach on the same problem? Not, as Marx would have it, an "iron law of wages": he taught on the contrary (1) that wages, *other things remaining the same*, could increase only by curtailing profits—meaning the *rate* of profit; and (2) that "the friends of humanity cannot but wish that in all countries

the labouring classes should have a taste for comforts and enjoyments, and that they should be *stimulated by all legal means* in their exertions to procure them. There cannot be a better security against a superabundant population." Barring the later discovery of prudential checks, we have here the whole economic truth, and that philanthropically put. As against this, I can see neither point nor justice in Professor Marshall's assertion that the Ricardians

> " did not see how liable to change are the habits and institutions of industry: in particular they did not see that the poverty of the poor is the chief cause of the weakness and inefficiency which are the cause of their poverty; they had not the faith that modern economists have in the possibility of a vast improvement in the condition of the working classes." [1]

Ricardo did see and say these things; he did have the faith denied him, barring the scope of the term " vast "; and if after a hundred years Professor Marshall will say that the improvement *has* been vast, I should say that Ricardo did believe in the possibility of a vast improvement. Nor can I see how, when he plainly posited the improvability of the position of labour, he can be said to have " regarded man as, so to speak, a constant quantity." [2] He expressly dwelt on the great differences in the development of the mass in different countries.

[1] Inaugural Lecture, pp. 16–17. [2] *Id.*, p. 15.

If Professor Marshall meant that Ricardo took man to be a "constant quantity" in respect of his remaining normally a seeker of his own advantage, the issue would be different. But I do not think he can have meant that; for he makes the same assumption in his own economics; though his way of echoing the old platitude that men of business are in general occupied in making money for their families raises some dubiety. It is to be regretted that such issues should still be raised. Who, in the name of common sense, ever doubted that men see in the well-being of their families their own advantage? And who was ever disturbed by being called selfish for seeking that? As handled even by Professor Marshall, the debate on the "selfishness" of the "economic man" is really idle. Selfishness as a term of reprobation is valid only against wilful disregard of the equalitarian claims of others: applied to ordinary economic conduct it is a misuse of language.

But here we are reminded that a considerable economic school in Germany over a generation ago was denouncing the "selfishness" of "Smithianismus" in general, and loudly demanding a higher tone or a loftier vocabulary of prescription in regard to economic action. We have now had the proof of the pudding in regard to that profession of lofty motive. For twelve or twenty years past, I am told, it was

impossible to find economics taught *as* economics in any German class-room: everywhere the science was subordinated to the preaching of the gospel of German national advancement by commercial and political means. And now we have academic Germany effusively united over the war in which that gospel has culminated. From a blatant profession of a wordy idealism we attain to the foulest dream of national rapine that ever corrupted a nation or devastated the earth.

With emphasis, I invite you to reaffirm that honest trade does not profess to be more or better than trade; that the "economic man" of the economists is not an abstract prodigy of selfishness, but the *normal* economic man of commerce, who is honest and law-abiding and likes to be on good terms with his customers; that *such* pursuit of gain is the natural and normal economic motive of mankind; and that it is by enlightening men all round, to the end of enabling them to choose the best course for all, and to discriminate sanely between orders of gain, that economic life is to be raised. German Socialism has added *its* "ethical sauce" to economic theory; and German Socialism is up to the neck in the policy which calls German aggression self-defence. It seems safer to be simply scientific.

For what have we seen as the outcome of all

the demands for a transcending of economic science on the part of economists? On the part of the would-be sociologists, who disparaged Ricardo, total failure to produce the sociology they prescribed. It is another and later school who have laid the foundations of a real sociological science. On the part of Mill, abortive sociology and a considerable body of economic fallacy, with much good work, some bad prescriptions, and some mistaken forecasts. On the part of the vilipenders of analysis, and champions of historic verification, either a tissue of historical untruth or—in the case of the really scholarly men—a careful historical record which makes little direct additions to our scientific comprehension of economic causation. On the part of the ethicists in Germany, a final gospel of burglary; at home, what?

Professor Marshall in his *Principles of Economics* presented himself as assiduously concerned to work out the mathematics of "the law of diminution of marginal utility" through sixteen highly technical pages of small type. We do not seem yet to have drowned analysis in either ethical or philanthropic sauce. A few years after feeling that he must blame the Ricardians "much" for their "omissions"—that is, for leaving something undone—we find Professor Marshall avowing that all the abundant activity of modern times had "only shown the more

clearly that economic science is and must be one of slow and continuous growth." Ricardo, it appears, has still "added most to economic theory." As regards ethical forces, in the Professor's work (he says) "no attempt is made to *exclude* the influence of any motives, the action of which is regular, merely because they are altruistic." But what difference that makes in the mathematics of the law of diminution of marginal utility, or any other economic conception, I have not been able to discover. Perhaps Ricardo, who subscribed to nearly every charity in London, and ran at his own expense an almshouse and two country schools, may not be found very seriously attainted by the new economics in 1917, the centenary year of the first issue of his book.

The simple fact is that the earlier British economists left out refinements about the individual modifications of economic motive because they took for granted, to begin with, that they were dealing with the action of normally honest men, and normally sympathetic men. They knew perfectly well—they could not help knowing—that some men drive harder bargains than others do; that most men like to be on good terms with their customers, and will often "cut prices" on that account; that good men in trade help each other; that good employers will at times bear loss to keep their men in

employment; and that hard men, on the other hand, will often get bad service, and injure their own trade. But they neither included nor excluded such variations, simply because it was not their scientific business to do so. They aimed at finding the general laws of general action. Ricardo must have known perfectly well that what might be termed "customary rent" actually existed in some cases in England in his own day, as it does to some extent in our day. He did not discuss it, because it admitted of no economic estimate. He wrote not for carpers but for men intent on reaching general economic truths.

And the men who followed him, whether or not they agreed with him, as a rule reasoned in the same scientific spirit. They certainly took for granted normal honesty in trade. If any one of them sinned in seeming to "exclude" that, it was John Mill, who in his essay "On the Definition of Political Economy," after avowing that "there is perhaps no action of a man's life in which he is neither under the immediate nor under the remote influence of any impulse but the mere desire of wealth," proceeds to say that "the political economist inquires what are the actions which would be produced by this desire, if, within the departments in question, it were unimpeded by any other."[1] Now, that is a gratuitous overstatement. The economist

[1] *Essays on some Unsettled Questions*, ed. 1874, pp. 139–40.

always assumes, albeit tacitly, that the desire of gain, in the transactions he is generalising, is "impeded" by regard for law, honesty, and normal reciprocity. To *exclude* these motives is to falsify the definition. Of course Mill did not really exclude them in his economic analysis. Like his predecessors, he took them for granted, simply ignoring divergence from these conditions, as being incalculable, and irrelevant to his purpose. He was not contemplating an economics of piracy, though such a thing might conceivably be constructed—in Germany. And even his gratuitous overstatement of the economic theory never really misled anybody, though it has perhaps stimulated gratuitous debate.

But one thing—among many others—Mill does well and rightly say in that essay, which, written eighty-seven years ago, sets forth, with only some errors of formulation, the essence of the oft-reopened argument on economic method. It is this: "Political Economy does not of itself instruct how to make a nation rich; but whoever would be qualified to judge of the means of making a nation rich, must first be a political economist."[1] That I take to be our guiding principle in the consideration of what I have taken leave to call "The Economics of Progress." Economics is to politics what a science

[1] *Essays*, as cited, p. 124. Cp. Senior, *Polit. Econ.*, 2nd ed., 1850, Introd., p. 3.

is to a utilitarian art, what physiology is to medicine, what mechanics is to bridge-building. It is not the only science ancillary to politics,[1] but it is one of the most vitally important; and if you seek to ignore or defy its truths in your legislation you will infallibly work harm, as a hundred governments have done through hundreds of years.

It lies in the nature of the case that its guidance is more often inhibitory than prescriptive. Prescription is being constantly offered from all quarters: there will never be any scarcity of that; and the political economist, speaking as a politician, may well offer his prescription like another. And he does. All the economists, broadly speaking, have been politicians. Smith was: Ricardo was, and that not merely on economic questions—he put forward in the House of Commons one of the first and one of the best pleas for the Ballot: the Mills were keen politicians: Senior, Bagehot, Fawcett, Cairnes, Jevons (Rogers, even!), were all much interested in practical politics, economic and non-economic. And though I think they were generally right, they ran the common risk of being wrong in their

[1] "To decide in each case how these [economic] conclusions are to be acted upon belongs to the art of government, an art to which Political Economy is only one of many subservient sciences."—Senior, as cited. Compare Sidgwick, *Principles of Pol. Econ.*, Bk. III, Ch. I, as to the "Art of Political Economy."

political prescriptions, in spite of being economists. When Mill suggested the expediency of legal restraints on marriage by way of checking over-population, he gave the *laissez-faire* optimist, Rickards, and later Rogers,[1] an unfortunate opportunity to protest,[2] and thereby to discredit his cause. And where Mill, in a most valuable section of his book, could thus err, less qualified economists have erred from time to time. The premature amateurs of social science, demanding that political economy should play the preceptor, far outwent Mill by suggesting such things as a "Board of Public Economy" that might control the applications of Capital, and a systematic control of Consumption by "fiscal regulations" and "application of honorary distinctions"[3]—proposals far in advance of scientific preparation, and far more encouraging to fiscal quackery than to right action.

Let us faithfully distinguish between individual aspiration and scientific knowledge. The pursuit of social progress by legislative methods is part of the search for the good. Economic science is part of the search for the true. If you impose the object of the first upon the actual work of the second, you are wilfully importing

[1] *Six Centuries*, p. 524.

[2] Rickards, *Population and Capital*, 1854, p. 248.

[3] *E. g.* Jennings, *Natural Elements of Political Economy*, 1855, pp. 226, 268–9. Cp. pp. 200–5. The idea, it is worth noting, has been applied during the war.

the personal equation where it is your duty to keep it out. The true, in this case, is not the whole end in view : it is a means to an end. The end of life, as Goethe has it, is an action, not a thought. But true thought is essential to right action. The true serves the good by giving light, not heat. To accuse it of narrowness because it does not offer you driving power is to be guilty of narrowness. If you find the light inadequate, try to get more; but never pretend that your heat *is* light; that your aspiration justifies your plan. If you are concerned to transcend narrowness, prove it by accepting light from any light-giver with gratitude, instead of blaming him for not giving more when he visibly laboured much to produce what he did.

And, first and last, do not take for granted that truth is easily reached; that the empirical inference, the first induction, is the right one. Nay, do not take for granted that the current orthodox economic doctrine is true. Science has no dogmas. It was unnecessary for Professor Marshall to tell us, first, that he does not "assign any universality to economic dogmas," and then that "the only part of economic doctrine that has any claim to universality has no dogmas." [1] No science has any dogmas: it offers only propositions which are one and all absolutely open to debate. And I affirm that one general

[1] Inaugural Address, p. 25.

proposition, laid down by Smith and by a multitude of economists since, is essentially untrue.

But the bulk of current economic science I take to be tested and sound, in the conditional sense in which economic propositions are now commonly put by economists—that is, as statements of tendency. In one of his too frequent divagations of mood—a "mood of recoil," as Professor Ashley puts it—John Mill wrote that "In political economy, for instance, empirical laws of human nature are tacitly assumed by English thinkers, which are calculated only for Great Britain and the United States. Among other things an intensity of competition is constantly supposed, which, as a general mercantile fact, exists in no country in the world except these two." [1] That was written when he was on the wild-goose chase of a Science of National Character; and it is a bad fallacy—an attempt to derive from national character what even on his own view was a mere difference of *degree* in the development of competition supposed to result from the less forward state of French manufacturers as compared with British and American. Before Mill we find Sismondi, and before Sismondi we find other French economists, noting the evil effects of competition; and in the work of Dunoyer, *De la liberté du Travail*, written in the years before and after 1840, and

[1] *System of Logic*, Bk. VI, Ch. IX, § 3.

published in collected form in 1845, we find not only mention of an abundance of vehement French discussion on the evils of competition, but the express statement, that "*among us it is more developed than elsewhere*"[1]—this by an economist who is arguing that competition is everywhere impeded by a number of limitary forces. So far can an economist divagate from simple fact when he is bent on discrediting the assumption of normal economic motive in industrial countries. Dunoyer may have overstated the case as to France; but Mill's phrase is sheer fable.

It was said of the late Stanley Jevons that he became latterly obsessed—or possessed—by a mania for contradicting Mill; and I hope we shall not imitate him: we all owe Mill so much. It would be pleasant to take from him, if we could, our *definition* of political economy. There are a hundred half-good definitions—all, as I said, suggestive. But if we are to have a definition at all it should be water-tight. Ricardo attempted no definition; which was perhaps a proof of his sagacity. James Mill offered the simple and practical-looking one suggested by the term itself, and originally meant to be expressed by it—that political economy is in the State what "economy," house management, is in the home. But this is inaccurate: political

[1] Work cited, I, 412–13.

economy on that view would be the financial and other *management* of the State. John Mill gave several definitions, of which the best is the earliest: "The science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature," or, more briefly: "The science relating to the moral or psychological laws of the production and distribution of wealth." [1]

But he goes on to avow that neither of these definitions is scientifically accurate, for lack of limitation; and he proceeds to say,[2] among other things, that political economy not only deals merely with the pursuit of wealth in the social state, but "predicts only such of the phenomena of the social state as take place in consequence of the pursuit of wealth." This is the definition to which he refers in the *Logic*,[3] where he repeats and endorses it. Now, his own economics rightly and very ably takes account of the phenomena of population, including the spontaneous tendency to increase and multiply; and that is clearly not a thing that takes place in consequence of the pursuit of wealth. The final definition, then, is inexact. In the *Principles* it becomes still more so: Political Economy is declared at the outset "to investigate the nature of Wealth and the laws of its production and distribution";

[1] *Essays*, as cited, p. 133. [2] p. 137.
[3] Bk. VI, Ch. IX, § 3.

whereafter it has, of course, to be explained that the science does not deal with the *physical* laws of production, which are the subjects of other sciences; and there is no final formulation at all.

Still, we now see the way to the definition. Cairnes, with Mill in view, offers at the close of his second lecture on Logical Method two definitions, of which the first is astonishingly clumsy, while the second runs: "the science which traces the phenomena of the production and distribution of wealth up to their causes in the principles of human nature and the laws and events, physical, political, and social, of the external world." We certainly have it all there; but we have more. Economists really cannot occupy themselves in tracing the phenomena of the production of, say, cotton and dyes up to *their* causes in the *physical* laws of the external world. Shall we not best get our definition by looking at the constant drift of economic discussion, which is the ascertainment of the proximate conditions (or causes, or circumstances, or normal tendencies) which determine the general distribution of wealth in the industrial-social state; and, further, the causes, etc., which make for *increase* [1] or *decrease* in the production of wealth? Does that leave anything out? It covers the

[1] Mill, by denying the necessity for an increase in the production of wealth (Bk. IV, Ch. VI, § 2), left no clear ground for discussing production at all.

phenomena and the causation of rent, profits, wages, interest, and taxation; and it takes into account, as causal or conditional factors, education, public health, laws, customs, doctrines, superstitions, international policy, thrift practices, prolificacy, and parental prudence.

Following the custom, I will offer a second and briefer definition of actual economics: "The science of the proximate causation of the distribution of wealth, and of its increased production, in the industrial-social state." And perhaps it will be well to add that "wealth" means or should mean, in economics, the aggregate of the desirable things and services that are sharable and are in demand; and that distribution of wealth means distribution of shares of command of wealth. As I have suggested, you might have an economics of burglary; or you might have an economics of the savage state, or the gipsy state, or of the Eskimo state, or of the Papal State. But I don't in the least mind the reproach of temporarily neglecting these aspects of human life; and I don't suppose you will. In fact, I will avow that, like Ricardo, I shall discuss only British rent, not metayer or ryot or serf rents; and that the progress I shall have mainly in view is the progress of the industrial nations, though I shall take for granted that we all desire the progress of humanity in all its stages; and may have occasion to indicate that a concern for the

progress of the backward races would tend to promote our own.

So that a discussion of the Economics of Progress will mean a discussion of the forms or lines of economic causation which chiefly bear on plans for the promotion of progress—or, to put the case again more concisely—an inquiry as to what economic conditions are most favourable to progress, as defined at the outset.

Let me say finally that I do not dispute the general truth of Mr. Hobson's thesis [1] that "the art of social as of individual conduct must always defy *exact* scientific guidance, the methods of science being incompetent *closely* to *predict* or *direct* the creative element in organic processes." Clearly, the creative element, proximately considered, is the aspiration, the ideal, which science does not dictate, but enlightens. Where the aspiration is lacking, the light is unused. But it gives just the kind of "guidance" that light can give, and without it there is no salvation.

[1] *Work and Wealth*, 1914, Pref., p. viii.

II

THE ECONOMICS OF EDUCATION

NEARLY seventy years ago Stuart Mill wrote: "A thing not yet well understood and recognised is the economical value of the general diffusion of intelligence among the people." [1] The proposition is no less true to-day. And yet if there is anything upon which economists of all schools are bound to agree, it is that a great increase in the productivity of a nation is possible only through the diffusion of new knowledge.[2] Schemes of "reconstruction" are not such novelties in our history as some to-day seem to suppose. They have abounded for centuries. To go back no further than the half century after the Civil War, we find already in that period a literature which ranges from the mere pecuniary economics

[1] *Principles of Political Economy*, Bk. I, Ch. VII, § 5.

[2] "The economic structure is not built up of a definite quantity of dynamic force, in which the human units are so many cogs, levers, and pulleys. The mental condition of mankind is, when all is weighed, the greatest factor in the complicated mechanism. . . . To put the matter in another way, social and economic evolution can proceed no faster than the mental factor is capable of being attuned to the new conception and outlook."—C. J. Melrose, *The Data of Economics*, 1915, pp. 113–14.

of the mercantile system to schemes of systematic national upbuilding. Here, for instance, as early as 1677–81, is a book, not even named by Cossa, of which the title tells its story:

YARRANTON (Andrew) England's Improvement by Sea and Land. To out-do the Dutch without Fighting, to Pay Debts without Moneys, to set at work all the Poor of England with the Growth of our own Lands. To prevent unnecessary Suits in Law; with the Benefit of a Voluntary Register. Directions where vast quantities of Timber are to be had for the Building of Ships; with the Advantage of making the Great Rivers of England Navigable. Rules to prevent Fires in London, and other Great Cities; with directions how the several Companies of Handicraftsmen in London may always have cheap Bread and Drink. 4°. London, 1677.

—— England's Improvement by Sea and Land. The Second Part. Containing I. An Account of its scituation, and the Growths and Manufactures thereof. II. The Benefit and Necessity of a Voluntary-Register. III. A Method for Improving the Royal-Navy, lessening the Growing Power of France, and Obtaining the Fishery. IV. Proposals for Fortifying and Securing Tangier. . . . V. Advantageous Proposals for the City of London, for the Preventing of Fires and Massacres. . . . VI. The Way to make New-Haven in Sussex fit to Receive Ships of Burthen. VII. Seasonable Discourses of the Tinn, Iron, Linnen, and Woollen Trades; with Advantageous Proposals for Improving them all. 4°. London, 1681.

Yarranton had been a London linendraper's

apprentice in the reign of Charles I; then, "the shop being too narrow and short for his large mind," he turned to a "country life"; whereafter he became a soldier in the Civil War. In 1652 he "entered upon ironworks," and while at that trade "made it his business to survey the three great rivers of England, and some small ones; and made two navigable, and a third almost completed." He next "studied the great weakness of the rye-lands, and the surfeit it was then under by reason of their long tillage," and "did by practick and theorick find out the reason of its defection, as also of its recovery," setting forth the remedy in his two books entitled "Yarranton's Improvement by Clover," whereby, he claimed, "great part of Worcestershire, Gloucestershire, Herefordshire, Shropshire and Staffordshire have doubled the value of the land, by the husbandry discovered to them." Here, then, unless he doth protest too much, is a practical and capable "reconstructor," well worth listening to when he propounds schemes for enriching the nation and giving productive employment to the poor.

It would be fallacy to suppose that Yarranton had no influence because it does not appear in legislation: all intelligent propaganda makes for mental change; and as he influenced agriculturists he may well have influenced others. But it is matter of history that his large hopes were

not realised; and it is matter of common-sense that they could not be. Such a general enriching of a country as he schemed, involving as it does an intelligent readjustment of practice among the majority, means a corresponding mental change; an opening up of a thousand new intellectual windows; a change of head, which is at least as uncommon as a change of heart. And as there was no moral machinery to bring it about, it simply could not take place. The concern of middle-class people, whether rich or poor, in matters of public policy, ran to questions of religion. After 1677 came the delirium of the Popish Plot; the parliamentary strifes over the succession; the accession and the policy of James II; the insurrection of Monmouth; and the Revolution; and then faction politics *da capo*.

It never occurred to anybody that the rational education of the mass of the people could be a means to national enrichment. With a relatively vast pauper class, often reckoned in those days at a full fourth of a population of about five millions, men went on helplessly paying a poor-rate equal to half the total revenue of the crown;[1] listening to scheme after scheme for employing the poor, and never agreeing on any. The idea of first making the poor fit for employment was indeed cherished by some, and took shape about 1700 in Charity Schools, which must have counted

[1] Macaulay, Ch. III: Students' ed., I.

for something, but education for the mass was the one great moral and material interest most lamentably neglected throughout the eighteenth century. So far from believing that education was a good thing for working-folk, the shrewd people held that it would play the mischief by making them averse not only to "the dirty work" but to manual labour in general. So shrewd a man as Mandeville could see no deeper than this.[1] In other words, the educated classes were themselves uneducated in point of civil wisdom and economic science. The slow enrichment of England went on fortuitously, some men making improvements in agriculture, some developing trade; some at length initiating a new age by a series of mechanical inventions which gradually transformed manufacturing industry. Down to the date of the Franco-German War, England had no national system of education. In 1833 Sir William Hamilton could write without challenge that "the English people are the lowest in the scale of knowledge."[2] Throughout the century the public provision in that kind had been a series of pitiable makeshifts, beginning in and limited by ecclesiastical interests.

Now, it cannot be charged against the "old" economists that they did not realise the economic importance of education. Even Adam Smith, so

[1] *Fable of the Bees.*

[2] *Discussions on Philos. and Lit.*, 1851, p. 538.

wedded to *laissez-faire* as to affirm that the education of middle-class women in his day, being in no way provided for or controlled by the State, was "accordingly" more useful to them than was that received by men at the universities[1]—even he avowed that there ought to be publicly provided schools for the mass of the people; and he even proposed measures of indirect compulsion to attend them by making an examination a condition of permission "to set up any trade either in a village or town corporate." The reasons he gives, indeed, are hardly economic. He seems to imply that education will serve to heighten the "martial spirit," about which he was so anxious, and which he so absurdly maintained to be eliminated, along with intelligence, by the artisan life as compared with the agricultural;[2] and he further points out that education tends to preserve the common people from the politically dangerous "delusions of enthusiasm and superstition." But his successors went much further, and, having their eyes on present facts, pointed out the economic value of popular instruction.

Ricardo, in his succinct way, indicated that the "stimulation" of the higher life of the people was the surest way of raising their condition. In 1848, Mill devoted an important section of his

[1] Bk. V, Ch. I, Art. 2.

[2] A proposition which elicited from McCulloch an unwontedly vehement refutation.

seventh chapter to the economic importance of education, laying even more stress on the moral than on the intellectual factor—to the extent of partly overlooking the immense importance of the reaction of the latter on the former; and in the following year Hill Burton devoted a chapter of his *Political Economy* to the same subject. Both cited convincing evidence as to the economic superiority of the educated over the uneducated worker, other things being equal, and the economic waste, national and individual, resulting from the special deteriorations of efficiency incident to the status of ignorance. Yet twenty years and more were to elapse before the nation politically took up the problem, to the extent of establishing a national minimum by the Education Act of 1872. The dryasdust men, the analysts and calculators, had fully indicated the ample economic motive; the man in the street and the man in the pulpit, alike economically uneducated, were in large part mainly concerned about the catechism when they did consent to face the need.

Then, after a thirty years' trial, a Conservative Government, with the backing of certain professed democratic "experts," abolished the School Boards by way of securing the better endowment of the schools of the Church of England. They did not yet dare to abolish the Boards in Scotland; but in England the one institution calculated to

set up a general interest in education disappeared. Thus it can still be said, as an educationist said to me the other day: "In Scotland you believe in education; in England we don't"—this, of course, by way of rough generalisation.

If there was an economic case for education seventy years ago, there is even a stronger case to-day. With the shortening of working hours has gone an intensification of toil, and such an extension of the division of labour that the element of handicraft has been in a sense eliminated from trades in which it was formerly potent. As Mr. Butler put it, "Machines feed by mannery." To preserve alike the independence and the efficiency of labour there is visibly necessary an increase in adaptability on the worker's part—a capacity to move from one industry to another. This is in fact recognised by all intelligent friends of labour, and is partly provided for by the modern developments in technical instruction. But all the while, the raised standard of industrial comfort means to a large extent an increased means of recreation; and to keep recreation on a high rather than on a low plane was seen in Mill's day to be one of the functions of education which counted for most in economic efficiency. National betterment as regards drinking habits can be seen in the case of the upper and middle classes to be very largely a matter of a rise in the taste for recreation. We are apt to call the factor in the

change "culture" rather than "education." Well, so be it. In those terms, then, " culture " for the workers is an economic " asset." It means improved industrial efficiency. If nothing short of a higher culture could transform the drinking habits of the upper and middle classes in the lump, nothing short of a higher culture will do it for the workers.

But that is only a general aspect of the matter. Let us particularise. One fact long known to observing people has been brought home by the war to everybody, namely, that even the primeval trade of soldiering is learned much more quickly by educated than by uneducated men; that whereas Napoleon held that it took generally five, and at the least three years to make an efficient soldier, an educated population can be trained far more quickly. The simple fact is that the man who has used his mind in learning a number of things can use both mind and body better to learn yet other things than can the man of narrow knowledge—that is, as a general rule, making all necessary allowance for the acquired physical incapacities of the too sedentary man. And this brings us at once to the economic bearing of education on the industries of peace.

Here again the war has been a means of proving in a general way what has long been held by many of us, that the skilled trades, specially so called, are in many cases not nearly so hard of acquire-

ment as they have been supposed to be; and that all apprenticeship, much as it has been shortened in modern times, still tends to be needlessly prolonged. But the vital point is that the average worker nearer adolescence, given some education to begin with, can acquire skill much more rapidly than the average boy in his first teens. You might put it that the average boy of fifteen, leaving school at that age, will master his trade at the same age at which it is mastered by the boy who began at thirteen; and that the boy who begins his trade at seventeen will at nineteen be as efficient as the boy who began at fifteen, if the trade be one calling for any use of intelligence. If this be broadly true, and I think it is, it is clearly an economic fact of the first importance from the point of view of national well-being. Some enlightened employers in Lancashire have already abolished the half-time system in their works on economic grounds. The nation cannot long lag behind that lead.

From the point of view of the individual it is of course equally clear. It has been said that as regards middle-class or commercial life, every year of a boy's schooling after thirteen—or after fifteen: the figure varies—is worth a thousand pounds later as capital, or a hundred pounds in power of earning salary. That is probably an extravagance; but if there is enough truth in

it to make it pass current, as it seems to do, among business men, it tells the same tale as to the economic significance of education. In neither case is the general theory upset by the exceptions. Ricardo began his business life at fourteen, having come a few years earlier from Holland, and having to acquire the English language. He did so to the extent of being able to delight infinitely in Shakespeare, and he made his fortune on the Stock Exchange. But apart from the consideration that even he might have been made more intellectually efficient by a longer education, it is quite certain that the average man, or the majority of men, can be.

There emerges the general fact that the boy in his early teens is wasting life in slowly acquiring a trade in the very years in which he could best be acquiring the education which would not only make him much more quickly efficient at his trade, but would give him a mental cast that would best safeguard him against economic deterioration. For the power of learning the things taught at school obviously increases rapidly after thirteen. Everything that calls for reflection—language, science, history—becomes more assimilable to the widening intelligence. It is what he learns after thirteen that makes the main difference between the educated and the uneducated man; and the difference, as Carlyle put it

long ago, is as that between the stunted and the well-grown tree. In many cases a superior natural ability, not happening to be associated with the faculty or appetite for self-culture, yields a less efficient mind than a lower natural ability that has been educated. These are among the kinds of fact of which economics has to take account just as it does of the law of diminishing return or the effects of tariffs on trade.

Extension of the years of schooling, then, is extension of national productivity and national efficiency, meaning as it does better habits, better recreation, less crime, better public health, less burden on the community in the necessary support of inefficiency and crime, less of heedless prolificacy, and consequent easing of all the pressures on the standard of comfort and on the market for labour, while leaving the amount of real labour power much greater. I do not here enter in detail into the question of the manner and matter of the education to be given. These are matters for the educationist: I am putting the case from the point of view of economics, merely emphasising the fact that the economic view is not limited to that of technical education strictly so-called. By all means give the young some training in the doing of things, in the use of their hands and their eyes, as Adam Smith urged a hundred and forty years ago. Let them be taught to handle tools, to

draw, to use their muscles, their limbs, as well as their brains. But do not infer that efficient education, from the economic point of view, means simply the development of the faculties directly needed to do given work. The workman who will rather spend a shilling on a concert, or on a book that will yield him happy hours, than on beer, is a more efficient and productive workman, even for purposes of muscular effort. That is sound "traditional" political economy.

At least equally obvious is the economic value of education to the man of industry and commerce. In the words of Professor Walker, "Nothing costs the working classes so dearly, in the long run, as the bad or merely commonplace conduct of business." [1] They gain by all advances in business skill. Of late years, I learn, there has been set up in the University of Cincinnati a system under which pupils in engineering spend alternately a week at the college class and a week in the works; with the result that Cincinnati machinery has acquired a special reputation for ingenuity and efficiency all over the world. That is only one instance of a general law. Within the last decades there has dawned on the business world the importance of the kind of educated ability which is systematically sought by the State through its system of Civil Service Examinations; and we hear of great business houses seeking their

[1] *The Wages Question*, 1884, p. 250.

higher recruits among young men with good university records—a thing which a generation ago would have been generally scoffed at in the City. But so far as my knowledge goes, English commerce is still backward in the matter of attention to foreign languages. Despite the number of new language schools in the large towns, it appears that before the war English commercial houses relied largely on German clerks for their foreign correspondence; and for many years it has been a standing reproach that whereas German traders assiduously appeal to all possible foreign customers by catalogues giving sizes, quantities, and prices in the language of the customer, the average English house continues to offer only its English catalogue, with English measures and English prices.

Here again we can trace economic and other causation in the matter of linguistics. France, till lately, remained in general the most backward of the industrial European countries in respect of acquaintance with foreign tongues, simply because France had first developed a ripe and abundant literature, to which other nations turned. Only in the eighteenth century, when French men of letters had become conscious of a relative stagnation in their intellectual life, do we find them in large numbers learning English, as educated Englishmen learned French. Germany, coming into the stream of modern

literature about the same period, turned to the literatures of all the more advanced countries, and thus became, as regards its educated class, with one exception, the most linguistic of European nations. The exception was Holland, whose position as middleman to all northern Europe forced on her large trading class, and so on her educated classes in general, the need of knowing some or all of the leading northern languages. Thus the Dutchman of to-day is far more of a linguist than the Englishman. Needless to say, there is no such thing as a national or a racial gift in that respect. The faculty of learning foreign tongues is equally distributed among all races; and the percentage of incapacity will be found to be everywhere much the same.

It is still common to hear Russians spoken of as potentially good linguists, and the French and even the English as collectively much less gifted. The explanation is sometimes offered that the special difficulty of the Russian language develops the linguistic faculty in all who master it; and it is true that the mastery of the grammar of one's own language is a help to mastering that of others; but language study in Russia has simply been an extreme case of the kind seen in Germany, the nation most backward of all in its literature being forced in a special degree to turn to the literatures of the others when it was moved to seek culture. Educated Frenchmen and

Englishmen in the average are just as capable of learning tongues as Russians or Germans: it is the habit of insularity, not natural lack of faculty, that has kept the Englishman the least linguistic of the northern Europeans, saving only the French, who, however, since 1870 have become much more linguistic than formerly. Hitherto the Englishman could count on going through Europe and finding his own language spoken by the waiters of all the hotels. That was plainly an economic development. English money elicited English-speaking waiters. And if the waiters of all the nations in Europe could learn English in order to make money, the English money-maker can do as much. If he desires to keep the trade of the Latin and Slav races after the war in competition with a Germany which will strain every nerve to recover *her* commerce, he will travel on the linguistic path—as indeed he has been doing for one or two decades past.

But economics is also concerned with the political problem of the provision of improved and higher education by the State. It has been truly said that one effect of the national system set up in 1872 was to provide the commercial world with cheap clerks. It would follow that, whatever it may have done for the clerks, it tended to raise the wages of the hand-workers by relatively lessening the pressure on *their*

labour market. What then are the economic pros and cons of an extension of the school life of the mass? I leave open the question whether such a measure should be resorted to immedistely after the war, when, according to one set of prophets, we shall find a shortage of labour in most fields as soon as the first confusion of demobilisation is over. If that should prove to be the case, there will doubtless be opposition to any new restriction of the supply. But sooner or later the issue must be faced, in the national interest; and it is not impossible that in some industries there may be rather unemployment than shortage when the war is over; while in all there is likely to be a period of transition. The restriction of the juvenile labour supply, we have seen, means ultimate increase, not decrease, of production. It is therefore to the State's interest to secure it soon.

At whose expense? First, as regards the schools, clearly at the State's. Feeless education having been established as regards the elementary schools, it cannot be restricted to them if the State enacts an extension of the compulsory school-going age. Mr. Fisher, while seeking to promote the resort to the secondary schools, may reasonably object to increase the number of "free placers" there at present. Those working-folk who send their children to those schools at present evidently can afford to do so, though,

it may be, with some pinching. But the reform before us is a compulsory extension of the school age, which will enforce on working-folk the complete maintenance of their children for certain years longer than they completely maintain them at present; and though large sections of labour are in favour of the measure, it will certainly meet with some labour resistance. Then the prolonged education must not itself have to be paid for when the elementary is not. Already there is, I presume, complete agreement that the continuation night-schools which have latterly been so much pressed for should be feeless. Now, the secondary schools will only be doing much better what the continuation schools are planned to do.

I say much better, for, whatever the educationists may think—and I fancy they will mostly agree with me on the point—the continuation school is too heavy a demand on the average boy. It is already recognised that he must not be expected to do a full day's work while he attends night classes. But even to make him do hard work half the day and study at night is obviously to ask of him what is not asked of the middle-class boy of the same age; and is thus a partial frustration of the very object of school extension, which is to make him both mentally and physically more efficient. Continuation night schools, in fact, are an inadequate

if not a positively bad device for the purpose in view as regards young people doing a full day's work. It is quite true that the average working-boy tends to waste his leisure. But the way to cure that is to give him tastes which will incline him to a better use of it, not to inflict on the fagged mind a task of night-schooling which we positively know to be in many cases too heavy for it. School your boy till fifteen, and it will be on the average easier to get him to use his leisure well after fifteen. School him till seventeen, and you will have made him disposed to use all his leisure to better purpose than does the boy who left school at fifteen, and much more still than the boy who leaves at thirteen.

Politically speaking, an extension of two years is as much as there is any use in asking for at a given time. It will be as great an economic change as the population is capable of at one stroke. For it will be claimed that wages must go up appreciably, or remain up, even when prices fall, to enable the working classes as a whole to bear the burden. To that the first answer is that the very restriction of the supply of the juvenile labour of both sexes—for of course the sexes must be treated alike—will certainly tend to raise wages. Obviously this will be the case as regards half-timers. And the further answer is that the good wages which on all

grounds are desirable can be provided only by an increase in the total national production, towards which improved national education is the greatest of all steps. That is the clear economic issue. In the plain interest of the workers themselves, productivity must be greatly increased; and productivity never can be greatly increased, relatively to population, without a lift in the national mental power. The rapid increase in certain forms of production which set in towards the end of the eighteenth century through the advent of machinery was accompanied by a spontaneous increase of population which went far to neutralise the gain, the result being a pullulating proletariate living at low levels, so that Mill in 1848 could write, as Sismondi wrote before him, that "hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being."[1] To-day we can speak more cheerfully, and say that there has been a considerable lightening. But there is a very plain prospect that the gain will be partly lost unless the nations address themselves to their problem with a new scientific consciousness.

Mill seems to have held to the last that "it is only in the backward countries of the world that increased production is still an important object: in those most advanced, what is economically

[1] *Principles*, Bk. IV, Ch. VI, § 2.

needed is a better distribution, of which one indispensable means is a stricter restraint on population." [1] The latter part of the sentence is perfectly true and profoundly important, as we shall see more fully when we come to deal with the population question; but the former is plainly not true. What Mill feared was that all gains from increased production might be swallowed up in mere blind advance of population; and he rightly reminded his generation that an ever more thickly crowded world did not mean a state of progress if the people were not living better lives. It was not till the next generation that the danger could be seen to be averted by the definite decline in the British birth-rate, as it had been earlier in France, and has since been in other countries, and latterly even in Germany. But that decline has coincided with a clear increase in production, which is one more proof of the truth put by Ricardo, that raised standards of comfort promote prudence in procreation.

Thus we may be doubly sure that in our day Mill would have realised the vital necessity of an increase in productivity. The Census of Production, if nothing else, would have forced the conclusion upon him. One of the things it seems to prove, as against vague calculations of average industrial earning power, is that large numbers of workers who would be classed without

[1] *Principles*, Bk. IV, Ch. VI, § 2.

question as "productive" create wealth only a very little in excess of their own earnings.

The broad fact is that a very large number even of the hand-workers is occupied in work of little economic or other value; and this partly because the workers in question are under-educated, and partly because the consumers of their product or services are so.

This is not the connection in which to take into account all the various forms of life that represent rather weights on the workers than contributors of useful service—the idle classes, commonly so-called, whose existence as such Mill recognised as a social calamity; the classes of men-servants who minister to the idle rich; the classes concerned with primitive amusement —as betting-men, the *personnel* of horse-racing, and so on, who are of course strictly grades of the class which provides amusements. Now, inane as is much of the amusement provided for the majority, it was declared by close observers thirty years ago to have greatly improved in tone and surroundings as compared with that of a generation earlier; it is presumably still better now; and a good lift in the educational standards would multiply the number for whom much of the amusement now going is no amusement at all. And it is just conceivable that the present war, which has impressed on large numbers of the non-combatants of the idle class

the necessity of doing something for the common good, may leave behind it a conviction that such activity should not end with the war, but become normal in peace. Such a permanent change of attitude would be an economic factor of considerable importance. The entry of numbers who might be idlers into the general life would mean a greater competition for what we may term ability-posts, and would tend, not necessarily to reduce the remuneration of these, but to prevent that class in general from securing a proportionally larger share of the national dividend than is received by labour, commonly so-called, which, further, would gain as aforesaid from the lessening of the crude labour supply by extension of the period of schooling.

But recruits furnished by the idle class to the economically active army of the nation would of course not *all* be eligible for ability-posts. To some extent the class might increase the proportion of service which it renders disinterestedly, or with little gain, by way of the cultivation of the sciences. At one time that service was noticeable, as regards the historical field in particular; and the apparent falling off since the days of Darwin and Buckle is presumably to be set down to the enlarged attractions of modern travel. Again, however, the economic survey raises the question whether the supply of ability for mental production of all kinds cannot

be maximised in the national interest. What, in particular, would be in the light of economics the best policy in the case of the universities?

We are at once met by the modern humanitarian claim that there ought to be for all an "educational ladder" from the common school to the university—and this of course for both sexes.[1] By some the claim is put with the apparent meaning that all should actually pass through the university; and it is quite conceivable that a highly organised society may one day secure some such equality of opportunity for all its members; though doubtless the universities will then be as different from those of to-day as society will be. But for the present there can clearly be no economic recommendation to such a course. That is to say, even if it could be seriously contemplated in practical politics, it would spell economic loss, not gain. University life in England was still, before the war, a field of play rather than work for multitudes of the so-called students; the fact being that a rather large percentage of those sent to the universities were not fitted to derive much profit from the life. It was indeed customary in England to extol the universities chiefly as

[1] The Workers' Educational Association, in its pamphlet on the subject, speaks only of universities, saying nothing of new ones, or of colleges for girls. But we may assume that the Association would not dispute the necessity of treating the sexes alike.

places where young men could make friendships. As if friendships could not as well be made outside the universities.

The economic inference is to be drawn in the simplest way. The nation wants all it can use of the best mental as well as the best industrial production. It is not merely that we want scientific brains for the development of the physical sciences which enter so vitally into physical production. Mental life of all kinds is part of the conception of progress. The broad movement of industrial and commercial life appears to be towards a kind of saving which tends to eliminate what may be termed over-easy life as well as idle life. Multiple shops on the one hand, and co-operative shops on the other, tend to reduce the intermediate classes who to a considerable extent represented a medium culture element in life. On the other hand, it has been said with truth that the process of ability employing capital tends to gain upon that of capital employing ability. If then these processes were to become maximised without special provision for the higher mental life, we might have a progress in which quantity of pleasurable life rose without a rise in quality, or with a fall in quality in some quarters. In that case there would be reason to fear retrogression, moral, political, intellectual, and therefore, finally, economic.

Evidently the progressive course would be to elicit as far as possible what potential faculty the nation contains. There are many reasons for believing that the percentage of superior congenital faculty all round is as high in the artisan as in the middle class, and perhaps higher than in the idle rich class, which may broadly be said to represent the result of the single faculty of wealth-acquisition. The "educational ladder," then, should be a means of sending either to universities or higher technical schools those found to be specially fitted to utilise them to the national advantage; and to that end there is required a development of the existing means of scholarships and bursaries. The selection should of course be made on all the lines of study—classical, historical, literary, as well as on the scientific, though for the present it will probably be advisable to offer the stronger inducements in the last field. And the example of Cincinnati, to which I have referred, might profitably be considered and followed.

Such an entrance into university life of a large body of students whose business is to work and not to play might conceivably have an educative effect on those undergraduates who go for the latter purpose. It is probable, however, that it will not be easy to turn universities like Oxford and Cambridge into highly progressive places, even if it be not the case, as some

think, that their physical climate is injurious to mental energy; and I should personally like to see the new university policy directed to developing a great teaching university in London as well as to raising the status and efficiency of the other provincial universities. A rise in real efficiency in all these, as proved by teaching results and by the output of the professors, would be the best means of forcing progress on Oxford and Cambridge.

Needless to say, the better payment of teachers, alike in the elementary and the secondary schools, is an essential part of the process of betterment. To pass criticism, as is sometimes done, on the faults or deficiencies of the class, demanding of it a level of culture and mentality for which no proper provision is made by training and salary, is just as idle as mere criticism of the shortcomings of an uneducated proletariate. The experience of recent years has shown that even the numbers of the class required by the present school system could not be maintained by the pre-war scales of salary; and already Mr. Fisher has taken steps to give effect to the new consciousness of the nation's need for better schooling. But it may be doubted whether the policy will be duly developed unless the nation in the mass can be made to realise that national education in the end pays for itself; that higher education rates or grants mean later-on more efficient national production,

less waste of life, less crime, less drunkenness, less unemployment, and less unemployableness.

If it be still honestly feared by some that a general raising of the standards of culture and comfort will tend to check industrial output by making multitudes unwilling to seek the kinds of factory and workshop and mining employment in which the bulk of the nation's profit-earning production is done, the answer is that no such check has ever been met hitherto, though the standards of life and education have undoubtedly risen greatly in one or two hundred years. All now receive *some* education, a state of things in which, in the opinion of many people in Mandeville's day, the dirty work would not get done. The dirty work, for one thing, is to-day less dirty; and it will have to be made still less so. But the experience of Scotland and the United States, at stages at which their popular education was admittedly superior to that of England, has never revealed any check to industry through unwillingness to do factory or other manual work. In well-educated Massachusetts, for two or three generations past, there has been a sufficiency of efficient factory labour; though of late the supply has been largely drawn from the labour of immigrants.

We are told, indeed, that the American domestic servant declines to brush boots. That is a phase of the snobbery of comparative

non-education, like the English servant's refusal to eat margarine in war-time when her mistress does eat it. But we are also told that the poor student in the United States will go to earn money in vacation time by acting as a waiter in a summer hotel. Education has freed him from snobbery.

It is perfectly true, on the other hand, that industrial life is in general trying, monotonous, exhausting. Lord Leverhulme has lately been telling us as much, and insisting, with the wisdom and knowledge of a ripe captain of industry, on the necessity for making it less burdensome. It is, in fact, actually becoming so in England. The comforts of factory life in recent years have greatly developed, largely through the practical philanthropy of many good employers, who have seen that such betterment is in the interest of employers and employed alike, the former gaining in the matter of good relations if not in money. Unquestionably the popular education of the past forty or fifty years has made for what is called industrial discontent, by making the masses realise more clearly, were it only through their novel-reading, the contrast between their actual lives and that made possible by wealth. But there is all the difference in the world between an educated and an uneducated discontent. There was bitter discontent in the first half of the last century, and it was often brutally and at

times criminally expressed. But the more the workers are rationalised by education, the more manageable will be the strifes between capital and labour, even though the labour demand goes on steadily rising.

We shall have to consider under other heads the economics of these relations: what we are considering for the moment is the economic value of education to industrial efficiency. The broad fact faces us that the better educated countries get through their industrial strifes with least friction, least violence. Spain is probably the worst educated of the countries of Western Europe. I have seen an attractive account of the village life of Spain which made it out to yield a larger share of joy and happiness than that of any industrial country. And that may be true, though the picture was rather idyllic than scientific, and made no attempt to estimate the *per contra* in the mental life. But Spain, like other countries, inevitably tends to become more industrial; and in so far as she does, the effect of her illiteracy is seen in violences in excess of anything seen here. In so far, again, as industrial strife in the United States has in the past generation exhibited new developments of violence, the phenomena are largely to be traced to the immense influx of new population from Europe, yielding relatively cheap labour which created great wealth, but brought with

it the penalty of lower standards of civilisation, new poverty among the masses, new industrial evils, and new violence from inevitable discontent. The levelling up of that new population by the American education system is the best general means of making the problem manageable.

Who doubts, further, that the relative industrial inefficiency of Russia, like the political, is mainly a result of illiteracy? Shibboleths about race-character, and the oriental element, and all the rest of it, may serve to solve such problems for those who will not look at social phenomena scientifically; but any one who will study social causation on comparative lines can see where the true solution lies. What Russia has visibly too little of, we cannot easily have too much of.

Need I meet, finally, the objection from fear of education in the case of agricultural labour? There, if anywhere, life is dull, and dirty work is abundant. These very facts, together with the economic factor of low wages, have in the recent past been admittedly driving the rural population more and more to the towns. People forget, indeed, that the rural population is the most prolific, and that it has always maintained in England a sufficient labour supply to keep wages in peace time lamentably low. The much higher agricultural wage of Scotland is undoubtedly attributable to the better rural

education, as well as to the better general education which makes Scottish agriculture in general more efficient. But the better education has increased, not diminished, the agricultural output, while yielding the much higher wage.

If any one hopes, then, that agricultural labour for England is in future to be kept abundant and efficient, whether or not at higher wages, by keeping the labourer badly educated, he is simply reading the problem backwards. Education will make country life more and not less attractive. It does so now. Vacuity of mental life drives many country people to the glare and excitement of the towns; better mental life fits men better for the relative peace of the country, where they can get from books the stimulus that the bookless seek in the picture-show. All this, I fear, may seem to some a substitution of non-economic for economic considerations, but it is a part of the argument for the economic importance of education, and it is really raised by those who have not understood that. And I have devoted this lecture to the subject because I doubt whether anything but a new economic impulse will enable English education to shake off the fetters of non-economic and non-rational ideas which down to our day have lamed and hampered it.

If it be true, as is stated by the Workers' Educational Association, that "in 1915–16 not

less than 60,000 children, mostly between the ages of eleven and fifteen, left school, presumably to enter industry, at an earlier age than they would previous to the war," we have already taken a measurable step backward. It ought to be retrieved with no avoidable loss of time.

III

THE ECONOMICS OF LABOUR

WHEN we have put increase of national production as the nation's urgent interest, and the education and well-being of the worker as the first necessities of the case, it may be permissible to discuss the economics of labour with some scientific detachment. The philanthropic economists and journalists having duly scolded Ricardo, who was as philanthropic as any of them, for not spreading his philanthropy all over his economics, it may now perhaps be taken for granted that he who plans for progress plans for the lifting of labour. But it may still be useful to think of it in terms of economic forces.

Ages ago, labour figured as the curse laid on man for his primal sin—a sufficient revelation of the real conditions of primitive life. The labourer was typified in the slave, the curse-bearer. Today, having got rid of the slave, and having listened patiently or otherwise to the prophets who, doing no work with their own hands, have fulminated precepts about its dignity, we know that labour, in the sense of rational occupation, is the condition of mental vigour and steady

happiness for all; and that Labour, with a capital L, is the Power in the national Power-House. The name which was interpreted as a curse has become, by an equally simple process of thought, a name by which the majority exalts itself, the worker figuring himself as the salt of the earth, the wealth-maker, and all others as relatively parasitic. The new idea has the great merit of involving a conception of human solidarity, in which the nations figure as having a bond of union, or common interest, outbulking any grounds of hostility. But that conception has been reached by many at the price of a new concept and principle of disunion—a league of the hand-workers against all who are not of them, and an ideal of a "social revolution" in which they shall set their feet on the other's necks. We are to remember that many men have lived their whole lives, some toiling with their hands, some not, yearning for this consummation, without seeing any radical modification of the social system which they hated.

In due course there may haply occur the Hegelian process of transformation of both ideals —that of the *status quo* and that of the revolution—into a third, not quite as different from both as water is from the hydrogen and oxygen which constitute it, but still different. For a generation, the publicists of the Fabian Society, *bourgeois* to a man, hardly did a day's work with-

out aspersing the *bourgeois*, root and branch, as something to be eliminated from the scheme of things. To-day, perhaps, we can realise that there is no more merit involved in being born to handicraft than in being born to shop-keeping, or lawyering, or doctoring, or journalism; and that a grocer is typically just as wholesome a member of society as the Local Preacher who ministers to Labour, or the director or manager of the Co-operative Store. The Co-operative Store is Labour doing its own shop-keeping: the difference is simply group-trading instead of individual trading. And there is nothing in the nature of things that will make more than an economic difference between two men in the two positions.

For Labour, when all is said, simply seeks its economic interest just as the private adventurer or the capitalist did. And thus far we have not at all attained even to an economic solidarity of labour groups. While Labour, with the capital L, is much acclaimed as an aggregate or totality, its sections in a nation, in a town, run their economic interests each for itself. There have been hundreds of strikes on the score of the claims of one trade union as against another: the trades which collectively make ships have pitched strikes over their respective boundaries. The "skilled" groups, alike in State employment and in private employ, insist on their

privileges as against the lower grades, just as barons may have done as against commoners. And many, from the beginnings of trade unionism, have resolutely limited the number of apprentices, without ever saying anything about the number of children born to the members. Each union protected itself, while adding to the host of the unprotectable. It is significant that in the new constitution proposed for the Labour Party, the claims of the unskilled workers are recognised as having equal weight with those of the skilled. But the question of the correlative social obligation on Labour in the matter of the birth-rate has not yet been theoretically faced.

Leaving for separate treatment this and other phases of the population problem, let us simply consider the wages question as it normally emerges for the trade unionist. The union is made, primarily, to get a larger share for the group; and in order to make it worth while for the majority to join, the rules are shaped to secure the best available wage for each rather than to let special capacity earn a special reward. This is in the nature of the case: on no other footing would it be worth the while of the majority to pay their dues. Collective bargaining is bargaining at a relative advantage; and collective bargaining means looking to the interest of all the members, compromising against the few rather than against the many. Doubtless this

tends to the curtailment of the total product; for by the law of self-interest no man will be much concerned to do more work than his fellow for the same wage. And if it be thought that this is a black mark against the name of labour, let it be remembered that such bargaining was long ago forced on labour by employers who, whether or not under compulsion of competition among themselves, refused to yield on any other footing to labour's demand for its larger share.

But capital has also its devices for self-protection as against the workers' plan for keeping wages near one level—at least it had twenty years ago. I remember one room in a boot factory at Northampton in which nine men sat at a semi-circular bench. A boot-upper at a certain stage of its construction was put on at one end, and, passing through the nine hands, came off at the other. At each end of the bench, the workman was a pace-maker. Thus the seven men between were as far as possible forced to work at the pace of the fast workers who took on and gave off. Hygienically, it seemed to be all wrong, for the majority of the men seemed to be reduced to utter limpness when the day was over, lacking energy for serious reading or for any other exercise. I do not know whether the system has by this time been radically amended: if not, amended it must be, one day.

One result of such labour pressure in the past

generation in the United States has been the creation of a new tramp class, estimated at from a million upwards. It is recruited by men for whom, once more, labour spells the primal curse. Some of them may be simply lazy; many are simply revolted slaves, who will face any of the chances of the wanderer's life rather than bear that burden of joyless, mechanical, mindless toil at the machine. We return to the precept of Lord Leverhulme : for the most obvious economic reasons, labour at the machine must be made something less murderously monotonous. I understand that the remedy is being gradually found in the United States, though industry there is still in the state of calling for immigrant labour in times of expansion and discharging it wholesale in times of depression, as in the winter of 1914. As the educational system does its work, substituting comparatively educated labour for that of ill-educated or illiterate alien immigrants, alleviations are found to be necessary. There will always be a multitude of organisms for which such simple routine work, under tolerable conditions of strain, is relatively the most fit. But education prevents their being over-numerous, and so keeps up the wage. It will be so here.

Other trades will be similarly affected. Coal-mining, railway and dock and transport labour, are all trying; and all infallibly seek for better

wages as compensation. In Durham and Northumberland this has long been made automatic, as regards coal-mining, by the instrument of a Joint Board which regularly reviews prices; and labour aspirations tend to run towards the general ideal of Socialism—a State control of all means of production which shall yield a national dividend for all who work, thus eliminating the idle class. Meantime, there is not only a sharing into profit and interest, with special remuneration for supervision and direction, but a regular system of piece-work, under which the better producer earns accordingly. And thus far this quite suffices to keep up, in peace time, an increasing labour supply. Many of the miners are men of intellectual tastes, leading good mental lives, yet working steadily in the pits.

Now, this is, by the old standard of the Physiocrats, absolutely productive work, yielding fuel and power in an ever-increasing degree. In the coming years, it will be the nation's business to economise that power, creating great electric-power centres, electrifying railways, saving fuel in every possible way. Years ago, men well qualified to judge had come to the conclusion that the process can be consummated by the nationalisation of the mines. Others saw in mine nationalisation a special difficulty, inasmuch as governmental control of coal output means responsibility alike for the total output, for the

amount of labour employed, and for the price of coal. Thus the Government would be called upon to sell coal at the lowest possible price, and at the same time to pay labour the highest possible wage—a not very pleasant predicament for those in power.

On the other hand, mine nationalisation, if otherwise feasible, presents by far the most rapid means of turning what has been, in Wales, a purely capitalistic exploitation of national resources *and* of labour into something more civilised and nationally more profitable. The Welsh mining villages, warrens of little gardenless houses packed together on hillsides which they turn to deformity, tell half the secret of the chronic strifes of the Welsh coal-trade: part of the other half is told by the estimate that the midland and northern English coal-masters, on the whole, deal most fairly by their men; the Scotch coal-masters, on the whole, less fairly; and the Welsh coal-masters rather less fairly still. These strifes spell economic waste; and the war will leave us in a situation in which we cannot afford such waste. National economy prescribes a national solution by national management. Economics, the science of the play of economic motive, takes note of how such motive will affect State management.

The actual experience of State control during the war has undoubtedly advanced the problem

towards the practical stage. But that means that we shall face squarely the issue raised by the Syndicalists who propound the ideal that every industry should divide the results of its own production. So crude and inconsiderate is this idea that it is hard to believe that it can be seriously entertained. Clearly this is not Socialism: as Socialists have pointed out, it is the negation of Socialism. What is the "production" of railways, of docks, of transport in general, of the picture-shows which entertain the workers, of the school-teachers, of the street-sweepers? What "product" have those industries to divide? They subsist by the tolls they can charge, by the wages and salaries allotted to them. They are part of the common effort of the community, to be sustained out of the surplus product of all exchangeable goods. Syndicalism negates not only the solidarity of the State but the solidarity of labour. It does not even rise to the old ideal of the right of all labour to the total product. It is the dream of sectional proletarian egoism, which is blinder than that of capitalism.

No: the *fuller* sharing of labour in its product, the progressive ideal, attainable only step by step, is a matter of continuous all-round adjustment, in which the part of the State is one of gradual advance in range of administration. Long before the war, railway nationalisation had seemed to

many a feasible step; and though there was latterly a visible weakening in the belief, due to the fear that a good bargain in the public interest was no longer possible, the experience of the war has again brought it under practical consideration. State management has meant a great economic saving—saving of labour, pooling of plant, abolition of waste of power and service in competition. Is that saving to be continued, as it largely may be, with full restoration of travelling facilities, in peace as in war?

The question evokes from some an objection which takes us at once to the fundamentals of the economics of labour. We must *find* work, they say, for the men who return from the war. Unemployment has so often multiplied distress among us, before the State machinery for its relief took shape, that this way of thinking is very natural. Work is felt to be necessary for the feeding of the workers; and any work that brings wages is so far a solution. But we want in the national interest to maintain only that work which either maximises production or yields other benefit. To duplicate railway services to make posts for the purpose of giving employment, is merely to enlarge the claim on the national product without adding to the product itself. To make two men do work that one might have done is not a case of making two blades of grass grow where one grew before. It

is not really a case of finding work for hands to do: it is a finding of posts, of wages. It is not sound economy to add to an idle class a demonstrably superfluous class either of wage-earners or salary-earners.

It is very likely, indeed, that a proper distribution of labour, a lightening of the strain of overlong working-hours, would mean the absorption of much of the old and new *personnel* of the railway system, even with nationalisation and consequent abstention from competitive waste. It may be that three signalmen *ought* to do, in short shifts, what two signalmen formerly did in long ones. But still we shall have to aim at economy of labour, of power. If the electrification of railways should mean saving of engine-staff as well as of coal, it will have to be pursued.

And thus we come again to the inevitable preoccupation of the workers as a class rightly seeking economic self-protection. The tactic of "making work" is the parry to the economic process which chronically "scraps" labour as machinery and organisation improve. Ricardo, who as we saw was accused of not looking at things from the workman's point of view, put the most definite pronouncement ever made by a leading economist of the truth of the workman's complaint against machinery. In the chapter on Machinery which he inserted in his third edition, he expressly declares that, after having

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held the contrary, he had been forced [1] to the conclusion that "the substitution of machinery for human labour is often very injurious to the interests of the class of labourers." No one, so fas as I know, has ever made that avowal so unreservedly in the name of economic science.

And it is a true avowal. The only qualification of which it admits is that "in the long run" more labour is employed as a result of advances in machinery. Cheaper production means more population and therefore more work. And that is no answer to the fact that *in the meantime* men are thrown idle. "While the grass grows, the steed starves." Mill, after trying to enfeeble Ricardo's avowal by incoherently denying that "improvements in production are *often*, if *ever*, injurious, even *temporarily*, to the labouring classes *in the aggregate*," was moved to confess that "*If* the sinking or fixing of capital in machinery or useful works were ever to proceed at such a pace as to impair materially the funds for the maintenance of labour, it would be incumbent on legislators to take measures for moderating its rapidity." And then he adds an avowal which, confused as it is, gives away the case:

[1] Apparently by the reasoning of Barton, *On the Condition of the Labouring Classes*. Yet in the Index to McCulloch's ed. Barton is referred to only as being "refuted" in a note in which he is highly praised.

"Since the improvements which do not diminish employment on the whole, *almost always throw some particular class of labourers out of it,* there cannot be a more legitimate object of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow-citizens and of posterity."

Sixty years were to elapse before the legislature took the problem in hand; and it is arguable that the delay is partly to be ascribed to the unmeaning qualifications which Mill had put upon Ricardo's plain proposition. Machinery had been desperately fought in the early part of the century by men who knew that it meant the taking of the bread from their mouths *for the time being;* and there is no record, so far as I know, of any proposal by employers in those days to provide systematically against that interim of starvation. Professor Marshall indeed wrote as long ago as 1879 that "When an employer displaces by a machine the special skill which men have spent their lifetime in acquiring, and which constitutes their whole capital, he generally exerts himself to prevent their sinking down to the level of unskilled labourers." But he admits that was not universally done.[1]

Only in our own day do we hear of such an arrangement as that made by the Bradford Dyers' Association, which is reported to have worked

[1] *Economics of Industry,* 1879, p. 198.

thus far well. "The Association agreed with the Trade Union that they would not discharge more than 5 per cent. of their hands in any one year owing to the introduction of improved methods or labour-saving appliances; and that for any men they did so discharge within the limits of 5 per cent. they would pay through the Trade Union funds, for any one year, a sum equivalent to the amount which the Trade Union paid in the shape of unemployment benefit." [1] *There* is the solution, at long last. It *pays* the manufacturer, when he introduces new machinery, to provide that labour shall not bear the whole burden of the transition stage. If only the capitalists had taken to heart, a century ago, the plain avowal of Ricardo; or if only Mill had pressed it home instead of minimising it, how much of suffering and strife might have been spared; and how much more rapid might have been the progress of industry!

For the distress inflicted at every advance has meant the partial frustration of the advance, even on the economic side. The distressed labourers cease to consume anything beyond the barest necessaries, thankful if they can have these; and the check to consumption invariably reacts on production. The poverty of a thousand men restricts the well-being of thousands more.

[1] Pamphlet on *Productivity of Labour after the War*, by B. Ellinger, 1917, p. 18.

If we are to maximise production in future, we must see to it that the scourge of unemployment is averted to the full extent to which it can be, alike by public machinery and by trade contract between masters and men. In so far as it arises from improved methods of production it is clearly manageable, for the improvement in the terms of the case adds to the national wealth, and can bear the burden of the readjustments. In so far as it arises from trade depressions, it calls for a more extended application of the system of insurance. And that too is possible, and therefore peremptory, even if we count on a great diminution of the evil in future.

But there is another side to the labour problem as it will present itself after the war. Production for export in general competes with the production of other nations in general; and manufactures do so in particular. As regards coal, we are economically advantaged against most by our natural resources : as regards manufactures, we must for the rest rely on our labour power, organisation for cheap production, and commercial enterprise. Those who talk of our becoming a self-feeding nation after the war may or may not realise—in general, they apparently do not realise —that if that consummation were reached we could not conceivably remain a great manufacturing country as at present, when so much of our manufactures goes to pay for our imported food.

But they presumably must realise that after the war we shall have to do much exporting of manufactures to pay our foreign debt; and they cannot be supposed to contemplate a speedy reduction of our exports. How then will manufacturing labour fare in so far as its product has to compete in foreign markets with the similar products of foreign industry?

This is a crucial question; and I would remind those who dream of keeping Germany poor that low-paid German labour may be one of the most serious factors in our industrial problem in the near future. The general truth of the "economy of high wages" does not solve the problem. It is perfectly true that relatively cheap labour in any community tends to be relatively bad and accordingly to be really dear labour; and we have in the past maintained the highest wage levels in Europe, largely by reason of the economic advantages we derive from Free Trade. If from any motive whatever we put any fiscal obstacles in the way of our obtaining *all* requisites of production at the lowest rates—be it chemicals, dyes, leather, machinery, lubricants, or raw or half-manufactured materials—the whole situation will be changed to our grievous disadvantage. But that is not all. If German labour *in general*, remaining as efficient as before in respect of education and steadiness, should be forced in future to live on much lower real wages, the law of the

economy of high wages will so far be modified in favour of German production. It would of course be only a question of time when German labour would begin to profit by its increased share in world production, and the old levels would be returned to. But the point is that an intermediate period of low wages in Germany, so far from being a cause for jubilation here, might very well turn out to be a serious menace to our own manufacturing prosperity. And this is only one of the many reasons for holding that the poverty of any one State is a handicap to all.

Two things stand out clearly. Labour will be much wanted; and labour must be reasonably well paid, or it will go elsewhere. We have had many predictions as to an efflux from our shores of men who in the war have lived an open-air life, and will seek to continue it in other lands if they cannot do so here. I am disposed to discount such predictions; but even if they be discounted, it is pretty certain that the United States and our own Dominions will hold out attractions to many of our workers after as before the war. At our present rate of net increase of population, indeed, this may still be desirable. On the other hand, if our power of export of manufactures is to be maintained, there must be the fullest economical utilisation of our labour power. The trade unions have for the duration of the war given up many of their self-protective

restrictions; and these restrictions must either be restored or compensated by other arrangements which shall hold labour equally secure against loss.

This is the great practical problem which faces masters and men at the conclusion of the war, and which ought to be in the intermediate time the subject of active adjustment. The war has proved that there was much labour power which was not utilised in peace. That labour power is the great offset to the loss caused by the slaughter and the casualties.

In so far as women can economically do work formerly done by men, their labour should continue, at least for the time being, to be utilised, provided of course that the returning men can be employed to equally good purpose on the work that women cannot do equally well. For obvious reasons, the labour of unmarried or childless women is to be preferred to that of the married who have children, for whom the national ideal is the life of the home. But under those limitations, more work for women is no less socially than economically desirable, given the proper attention to health conditions. It will be a fitting accompaniment to their enfranchisement. And in so far as this means transference of some male labour from old to new tasks, it is earnestly to be hoped that organised labour will itself face the problem, offering not passive resistance but

constructive proposals. It will all be in its own economic interest. Neither labour nor capital can thrive if they do not set themselves to get the maximum production from the industrial machine, always on the condition that the industrial standard of comfort is maintained or raised, not lowered. Broadly speaking, everything is in favour of betterment for labour if only economy of total production is kept in view. There has been much betterment: there ought to be more.

The old Marxian formula of an "iron law of wages," falsely deduced from Ricardo's brief handling of the subject at a time when the outlook as to redundant population was least promising, has long been exploded—which is a very different thing from saying that the Malthusian law of population has been exploded. It is the very recognition of the truth of that law under previous conditions that tends to alter the factors. The law that dirt is conducive to disease is not "exploded" by eliminating dirt. The steady rise in the popular standard of comfort has revealed that superfluity of cheap life, like superfluity of dirt, is reducible to control, given knowledge. It is now recognised that Ricardo was perfectly right in saying that labour's increased share, as wages, is gained from profit's share—that is, from the *rate* of profit; the rate of profit per unit of production having undoubtedly decreased even while the totality of

profit increases with the increased application of capital.[1] And the modern developments of the principle of taxation have made it perfectly certain that capital cannot hope to increase its share relatively by cutting that of labour down. It will not be allowed to do so. It has been and will be forced to contribute to the betterment of the labour upon which it rests.

After the Napoleonic wars, Britain, saddled with a debt of nine hundred millions, was by that very process saddled with a new idle class; and a whole generation passed before that class began to be subjected to due taxation. In the same period, the nation as a whole was newly saddled with a protective fiscal system designed to keep up land rents, the primary basis of the idle class; and only in the last quarter of the century did that share of the national product begin to be decreased by the importation of newly cheap food from America. The repeal of the Corn Laws, instead of reducing rents, had led to their rise on a large scale, the new prosperity of industry having greatly increased the consuming power of the mass. Now that the landowners' share has been for a generation definitely reduced or limited by the cheap food production of other

[1] Cp. Atkinson, *The Distribution of Products*, 1885, p. 71, endorsing Bastiat. The point is that while the return per cent. on capital in industry may even increase, the production done by the capital must be still greater in proportion to earn the profit.

countries tending to undersell our own in our own markets, the class has revived the demand for a fiscal machinery which shall restore rents, under pretext of restoring agriculture; and of this demand we shall doubtless hear much in the years to come. And labour, in its own interest, must be on its guard against any legislation which shall have that effect. Rent must not again be allowed to trench disastrously on labour's share of its own product.

So much for the clear rights of labour, and its economic policy. It is a question of retaining and increasing labour's share of its own output. Everything depends upon right economic method, whether resistant or constructive. If rent can be nationalised, well and good. Until it can be —and the solution is probably a good way off— the right policy is to prevent its being artificially enhanced, and at the same time to tax it with vigilance.

On the other hand, the greatest error that Labour could commit would be to harbour the delusion that its share of the command of wealth can be appreciably increased without an increase in wealth production, proportionally to the labour effort. Merely to increase production by increased individual toil all round would of course be simple retrogression. But only through an increase of real production by economy of labour power of all kinds can labour be really advantaged.

Its increasing share has been a matter of continuous adjustment: a catastrophic attempt to secure the whole would not only upset the entire existing system without any security for the steady working of a new one: it would wholly fail to yield the increased share of goods hoped for by those who contemplate it.

As for the programme put forth by the Guild Socialists—a continuous battle between Labour and Capital, the former aiming directly at the elimination of the latter—it would be difficult to plan a worse way of increasing output. Indeed no such aim appears to be involved. The demand is for the complete control of the workshops by labour, not for the increase of output, but by way of making an end of the capitalistic system. The end is as defensible as any other ideal. The means proposed tend directly to the curtailment of production, which means poverty for the worker as surely as for the employer.

There is always a certain element of economic illusion about individual wealth; and the illusion magnifies with the magnifying of shares of wealth in terms of money. Moralists and economists can agree that the chief advantage given by command of wealth is just command of art, beauty, culture. Medieval wealth figured largely as command of personal services, of troops of retainers, gratifying the sense of power; and even medieval literature is full of homily on the impossibility of

maximising happiness by that or any other self-regarding use of wealth. Modern wealth figures as command of amenity in surroundings—spacious houses, elbow-room, beautiful surroundings within and without the house, travel, leisure. It is in part the spectacle of these that rouses and sustains proletarian discontent. But in large part the discontent is also roused and fed by the mere record of the large fortunes of modern capitalism, the figures of the fortunes of the multi-millionaires. The announcement that So-and-So has amassed five million pounds or fifty million dollars sets up a greater stress of indignation, probably, than the spectacle of thousands of families with incomes of five thousand pounds. And yet the multi-millionaire is not at all proportionably a consumer of the output of labour. It is much better for labour that he should own forty million dollars than that four hundred men should own a hundred thousand dollars each. He cannot consume a tithe of what they would consume. His accumulation really represents a relative restriction of idle living; and his capital as a productive force may be as well and better applied by him than by them. He cannot run forty houses, or forty yachts. And the chances are that he will devote to public purposes, such as university endowment, what in their hands would be devoted to the maintaining of four hundred families in luxury.

But even as divided among the four hundred, the mere division of their command of wealth, many times multiplied, would do practically nothing for the proletariat. What it needs is hundreds of thousands of decent houses of moderate size, not a sharing of a few hundred large houses. Let us say that there are a hundred thousand really rich families in the country, living in idle luxury. Apart from the eating and drinking and the clothes, the luxury, as such, cannot be divided, save in so far as, say, the pictures might go into public picture-galleries. You cannot divide the fox-hunting, the motor-cars, the travel; though we should aim at enabling all to travel who desire it. The whole material consumption, divided among the mass, would be a bagatelle; and a division of the rich people's money command of wealth, without an increase in the actual things which constitute material wealth, would tend proportionally to raise prices, though it might conceivably stimulate production for the time being. In fine, there is no solution for labour on the lines of merely increasing the share without increasing the output. More and more clearly does it appear that Mill was in error in stipulating for improved distribution without increase of production.

But, none the less, the spectacle of inequality in the sharing remains a constant source of labour's discontent; and if we are to escape

disastrous wastage of power by labour strifes, the employing class must face the precept that if there is to be any reduction of shares in the period of reconstruction it should fall first and most on their shares rather than on those of labour. There I am taking for granted a certain national ideal, ostensibly much developed during the war. Labour has been so visibly essential *to* the war, both for fighting and for munitioning the fight, that it is inconceivable that that aspect of things should be lost sight of.[1] The profit-getting class has simply to remember that it has hitherto had the best of things; and that for that very reason it should see to it that labour's worse lot is not further worsened. Need we add the economic warning that, in terms of the law of normal self-interest, such worsenment would mean bad times for capital?

Two things are said about capital which we shall have to consider closely when we examine its special economics—two things which are different ways of putting the same economic idea. One is the economic warning that fluid capital,

[1] "When men fight together—and many of them fall together—fighting a common foe, it is certain that those who are left will find some means of standing together in the days of peace ahead. The attempt of Germany to crush us has led to the drawing together of the different classes of our people."—H. Gosling, pamphlet on *Peace: How to Get and Keep It*, 1917, p. 12. Mr. Gosling refers in particular to the good feeling between the men of the Transport Workers' Federation and their officers.

denied a prospect of fair interest at home, will tend to go abroad: the other is the threat of the capitalist that he will so act—that is, that he will export his capital. The threat that he will himself emigrate has very little in it; unless it should unexpectedly turn out that after the war some country is a very much more happy and prosperous place than it was before. But I suggest here that the threat is in any form a bad mistake; and that the economic warning calls for careful sifting. The economist, to begin with, is at least not disentitled to assume that financial patriotism will outlive the war; and he is certainly not entitled to assume that it will not.

Both economist and capitalist will do well to consider whether the share in the national debt acquired by workers during the war may not be a part of the basis for a new understanding. It appears to be fairly well distributed, though not as well as it might be; and it supplies a reason why labour should look carefully to the maintenance of the national output. I have no great fear that it will encourage strikes: the saving men will not be ready to jeopardise their savings by going out of work. At the same time, the more thoughtful workers, who will tend to be among the savers, cannot but reflect that great numbers are always unable to save; and that for them there must subsist the provision of Old Age Pensions, which they and we hope to see

increased in amount, to say nothing of the national system of health insurance. Thus the nation may be held to be becoming always more truly solidary. And as its power to pay pensions—pensions to its soldiers as well as to its workers—visibly depends on its total output, the labour interest is yet again seen to be bound up with that of increased production. If then the profit-earners will only show that they are disposed to live up to the ideal of the war, in which officer and private are alike living and dying for the State, for good life for their people and the world in the future, the solution should be found.

The mention of Old Age Pensions, finally, raises the problem of the ideal of labour in its ultimate form. Not that any state of society we can construct is to be regarded as ultimate; the ultimate is the undiscovered; but that that institution connects with all the higher social ideals. For the mass of men, the economic preoccupation is provision for the future—for the family, for old age. The strictly individualist solution is saving for investment. Now, saving for investment means the correlative restriction of consumption; and, apart from the highly important factor, set up by the war, of the new demand on production to pay off foreign debt, restriction of consumption means either restriction of production or the expectation of living on

the interest paid on production that takes the form of, or is the form taken by, capital lent to other nations. Imagine the nation once more in its old position of importing annually more than it exports, that is, being a creditor and not a debtor nation. The amount of saving required to reach that result is in the terms of the case in excess of what is required to maintain capital for production for home consumption. That is to say, the saver relies on the consumption of other nations to maintain an increasing production here; and that increasing production is further, in the terms of the case, the exported form of the capital lent to other nations.

Now, that is all right, practically speaking, so long as the other nations need capital for the development of their resources, and grow wealthier even when paying interest on the borrowed capital. But a real continuance of increase of wealth must mean their being ultimately able to become creditors, or, let us say, to balance debts. Thus the tendency of all-round progress is to simple exchanges between nations, without any indebtedness which means a paying of tribute by one to another. In that state of things the idea of providing for old age universally by saving for investment would plainly be chimerical, for the universal saving would mean a universal restriction of consumption, and therefore a restriction of the production to which investment

could be directed. Increasing investment would mean increasing supply, which in the terms of the case would not be met by demand. The result would be decline in production, and therefore in income, in good life, in progress as we understand it.

However far off, then, may be the state of national equivalence in credits—a state which, I may add, may be hastened by emigrations—it seems fitting to keep it in view as a point to which economic evolution tends, and to realise the economic corollary that the line of greatest stability is the maintenance of consumption as the condition of the maintenance of production; in other words, the securing that labour shall always be an adequate consumer, to which end the means must in the end be a systematic development of the system of Old Age Pensions. If it be said that that will be Socialism I offer no denial. It may conceivably lead to Socialism. But I am talking simple economics, waiving the question of other developments of aspiration; though some of these will fall to be considered under other heads.

Even as it is, I am putting a proposition which may be termed Utopian at a time when restriction of home consumption is rightly the order of the day, and may very well continue to be so for years to come. But, to make the problem clearer, let me add that the ideal of

well-maintained consumption did not mean a mere increase in the consumption of food and ordinary manufactured goods; but an expanding provision for good employment and good life by an increasing demand for artistic production, fine craftsmanship, art work, art services of all kinds. The law of progress, so to speak, is a law of the lessening of toil for mere maintenance, and a direction of surplus labour power to the higher forms of production.

Long before the war, Ruskin propounded such an ideal, and, feeling his way with his very imperfect though at points very acute economic sense, prescribed that families should embody their savings in fine gold plate. That was certainly not a counsel of perfection, either from the point of view of economics or from that of art. Professor Patrick Geddes, developing Ruskin, put the case much more philosophically in what he termed the "new paradox that the sphere of practical physical economics is to discuss the ways and means of increasing not so much bread, as Art."[1] The paradox, I think, is valid; that is to say, it is a real truth—apart from the special temporary problem of increasing bread and other necessaries. Sufficiency first: art later. The deferring of the ideal is part of the deadly price of war. But

[1] *An Analysis of the Principles of Economics*, Pt. I, 1885, p. 23.

the ideal subsists. It seems to me an irrefutable result of simple economic analysis.

Of course all such analysis, when put by way of forecast, may turn out to be apathetic indulgence in optimism. It may be, as Andrew Lang put it a good many years ago, that we are all rattling back to barbarism. But for the purposes of these lectures I shall assume that we are not. It is at once a tragic and an illuminating reflection that the war has revealed in the nations a power hitherto absolutely undreamt of to "finance destruction." Before the Boer War, good men argued that we could not finance Old Age Pensions. We financed that War to the tune of two hundred and fifty millions. Then, within six years, we actually did finance Old Age Pensions, on a modest scale. Now we are financing the War of Wars, at an expenditure which, relatively to time, makes all previous expenditure in human history, financial and vital, seem a very little thing. But that war too will end; and as the State lives through it, it will perforce live after it, however frightfully changed in its elements by the slaughter. If then there is to be any truth in the universally avowed will to make this war an end of wars, the possibilities of the social future are not to be limited. Having financed the most monstrous of wars, we or our posterity should be able worthily to finance Peace.

IV

THE ECONOMICS OF LAND

It says a good deal for the vitality of the Ricardian economic analysis that the "law of rent" associated with it is in our day, after a hundred years, the basis of a powerful political movement—that of the Taxation of Land Values. The Single Tax doctrine, though it has an older historic form, in its modern statement derives from the so-called law of rent. That law, as it happens, was not of Ricardo's framing; and his particular formulation of it is not only inadequate, but is rather less valid than the previous formulas of Anderson, West, and Malthus. Perhaps just because he took it from others, and had not to work it out for himself, Ricardo put it imperfectly thus in his chapter on Rent: "Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil"; and he proposed for the purposes of economics to confine the word strictly to that element, as expressly distinguished from the elements of rent paid not only for buildings but for "the use of the capital which had been employed in ameliorating the quality of the land."

On Smith's remark that the demand for timber in the south of Europe had caused high rents to be paid for timber land in Norway, Ricardo observes that such payments are made for the actual standing timber, and not for the use of the land. And, consistently at this point, he argues that the so-called rents of mines and quarries are not in his sense rents, since they have "no connexion with the original and indestructible powers of the soil." He adds, of course, that if after the removal of the timber on the land a payment were made to the landlord for the use of the land for growing more timber, that would properly be rent. We might add that, in the case put, the first transaction would be analogous to the taking of a farm with the standing crops, which would be separately valued and paid for; and that obviously that would become the normal kind of economic transaction in the timber trade in Europe. For if the lumberman were simply to cut down standing timber, as he so long did in North America, without planting new, he would soon reduce the annual value of Norwegian land nearly to zero.

If we did not at once see that there is something wrong with the "original and indestructible" formula, we should see it, or ought to see it, in the very next chapter, "On the Rent of Mines," where, in flat contradiction of the previous chapter, we read that "Mines, as well as

land, generally pay a rent to their owner"; that they vary in fertility, like land; that the surplus yield of the better over the worst becomes rent; and that "this principle is precisely the same as that which we have already laid down respecting land." It is remarkable that the many men occupied in confuting Ricardo should have failed to note how he thus confutes himself. Evidently he reached his theory of rent by a piece at a time, and forgot here to reduce it to consistency. At first, apparently, he partly followed Smith, who put farm rents and mine rents in different categories.[1] Later, he argued forcibly against Smith's division.[2] But he neither unified his own doctrine nor reduced it to a solid basis.

It is plain that both the "original" and the "indestructible" are mistakes. If we apply the theory to mines and quarries, we are dealing precisely with destructible "powers"; in fact we are dealing with a compensation for the removal of irreplaceable *parts* of the land. If again we direct ourselves to agricultural land, it becomes clear that in so far as the superior fertility of a farm is due to previous "amelioration of the quality of the land," it will earn money not as mere interest on the capital expended but in respect of the resulting surplus produce, just like the "originally" fertile land

[1] Bk. I, Ch. XI, Pt. II, McCulloch's ed., pp. 76–80.
[2] *Principles*, Ch. XXIV, "Works," pp. 198–9.

which in theory may not have had capital expended on enriching it. Capital *might* have been expended to no purpose, in which case it would get no compensation. It is in fact quite impossible, in the case of farms which have been tilled for centuries, to say what is "original" in their powers. The man who buys the farm at any given time buys it with all the powers it contains; and for these powers, whether original or added, he will secure what Ricardo calls economic rent. Land originally poor may have been made excellent. All this was pointed out long ago by Wakefield;[1] and his rectification ought to have been noted by McCulloch, who in effect admitted the facts,[2] but neither readjusted his own formula nor commented on Ricardo's.

But it is not merely the "powers of the soil" that thus earn economic rent so-called. The *site* of a farm can do so. In Ricardo's day, in Smith's, and long before, as in ours, a farm situated near a good market with good roads to it must have paid a higher rent than one of equal fertility a long way from a good market; just as a shop in a "good thoroughfare" will pay a higher rent than one in a bad. In short, the surplus payment which Ricardo sought to isolate is only one of many kinds of payment made annually for *special economic advantage;* and as such advantage

[1] Ed. of *Wealth of Nations*, 1843, II, 245–6.
[2] *Principles*, 2nd ed., p. 448.

occurs in many norms, the kind of variation specified by Ricardo should properly be called "one law of the variation or determination of rent"; while economic advantage in general in the case of which annual rental is paid should be called simply the economic determinant of rent.

As regards other cases of relative economic advantage, there is no practical gain to science from using the term rent. The analysis in fact does not properly apply to mines, where the normal transaction is an annual fixed payment *plus* an allowance of "royalty" per ton of mineral raised, with further payment of "way-leaves" on other land for transits. The most fertile mine, unless ill-situated, of course pays the highest rent or the highest royalty; but whereas the Ricardian law of rent presupposes that the farmer leaves the land as good as he found it, the coal-master obviously does not and cannot. He pays for access to material which he removes and cannot replace. As regards what was soon after Ricardo called "rent of ability," there is really no human advantage to be had from calling the extra profits which an able man of business can earn by his superior sagacity in buying and selling, an economic rent for the use of his brains, even if he hires out the use of them instead of running a business of his own.

Still, there is a gain from seeing all forms of

economic advantage brought into a general view; and there was a great practical gain from the so-called Ricardian analysis of rent. That analysis, which was only imperfect, not false, brought out clearly the fallacy of the charge, naturally common in a time of high food prices, that the high rents charged by landlords were the cause of the high price of corn. As even Smith had rightly stated in one passage, the high rents were the effect, not the cause, of the high prices; and these in turn were the effect either of natural or of artificial scarcity, or of both—the artificial scarcity being that created by the high import duties on foreign corn, a thing not easily smuggled. Obviously, if the landlords charged no rent at all, the farmers would in general sell at the same prices, and those with the better farms would simply put in their pockets the surplus of their profit over that of the farmers with the worst land. If the mass of the people had properly apprehended the simple economic analysis, and had been able to give political effect to their plain interest, instead of denouncing landlords *as* landlords they would have attacked them as politicians, and demanded—what under the leadership of Cobden and others they later secured—the repeal of the Corn Laws.

It is thus a misstatement to say, as some, including Rogers, have done, that the Ricardian law of rent is a mere truism. It was long, for

many, an undiscovered truth; and is thus no more fitly to be called a truism than is the Copernican theory. And when Mr. W. A. Carlile, after a brilliant and partly just criticism of Ricardo, backs as against him Adam Smith's account of the price of coal as being regulated by the best mines and not by the poorest, he clearly backs the wrong horse. Says Smith: "The most fertile coal mine regulates the price of coals at all the other mines in the neighbourhood. Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price." [1] "This," says Mr. Carlile, "is common sense, and is of course the view of the business world." It really is neither, unless we say that common sense pronounces the earth to be flat. Let us consider. If the poorer mines are selling coal at 10*s.* the ton, and the better mines offer it at 9*s.* or 9*s.* 6*d.*, the poor mines, as Smith says, have to lower their price. *Then* where is the underselling? Are the richer mines to go on lowering their prices till they get to zero? Smith's unguarded proposition is an economic "bull."

Obviously what Smith describes could happen only temporarily, and only on a declining market, with a falling demand and an excess supply.

[1] Bk. I, Ch. XI, Pt. II.

It is quite true that in bad times the poorest mines, which pay the lowest rents or royalties, are the first to close—a sufficiently clear proof that it is not high royalties that cause high prices for coals. But in good times the poorer mines reopen; and it is surely obvious—if it be not a truism—that what they can get for their coal will "regulate" the price of coal, in the sense of marking the minimum at which coal will sell. The lessees of the better mines are not going to sell for less when they can get that minimum, any more than the lessee of the good farm will sell corn for less than the farmer of the poorest land can get for his. In both cases alike, the lessee of the economically advantaged concern *may* be the first to lower his price in a glutted market, precisely because he can best bear the loss, but that is quite another matter. On the other hand he may elect to hold on because he is not pressed for immediate cash, while the "smaller" man is, and must sell accordingly.[1] That is a matter of individual calculation: it may be a matter of sagacity in foreseeing the course of the market. But what the poor mine or farm *can* get per unit, the better farm or mine *will* get. And when new farms or mines can be

[1] This certainly happens. McCulloch, on the other hand, argues (*Principles of Pol. Econ.*, 2nd. ed., p. 434) that when price becomes unremunerative, corn will cease to be brought to market. That may happen also.

worked at a bare profit, the rents of more fertile farms and mines will tend to rise, as the Ricardians said. Ricardo was on the right track, and Smith on the wrong.

What we reach as regards land in general, in the broad sense which properly includes ores, coal, stone and other *portions* of the earth, is a market in which economic advantage, and consequently gain, accrues in varying degrees irrespectively of the amount of labour or capital employed. As we have put it after Mill, there are "unearned increments." And this is one of the permanent facts which call to land the attention of all students of progressive politics. Economics may here be regarded as the handmaid of ethics. For while it shows that the owner of natural means of economic advantage is not the arbitrary causer of extra payment for them—since his abstention from gain would only transfer the gain to other pockets—it appears to indicate him as, in theory at least, a legitimate object of special taxation. We may go further and say that the natural source of economic advantage ought to become public property, that is to say, that either land or the so-called economic rent of land should be nationalised, the former by purchase, or the latter by progressive taxation —always providing that we can discriminate between primary or geographical factors in economic advantage and those created by individual

enterprise in improving the soil. (It is needless to discuss simple confiscation.) But here the ethical precept outruns economic guidance. For the only strictly economic argument in support of land nationalisation is that by that method the unearned increment from land might be most completely intercepted, since all unearned increment in value could be made to take the form of increased rent payable to the State.

On the other hand, a very simple analysis will show that if it be counted an ethical imperative to prevent or undo all alienation of land to private property and gain, the process of nationalisation would have to be carried further than the surface soil or area. So long as ores and stones and clays are allowed to be removed and to become private property, the "land" in that respect—the "national heritage" as it is called—is being alienated. In strict theory, if all land ought to pay a perpetual rent to the State, all native metals, stones, and bricks ought to do so, since they are irreplaceable land, and their use has a value. Of course the land nationaliser may reply that in those cases, or some of them, rent simply cannot be charged because metals, for instance, cannot be followed up. But this is a warning against hasty ethical imperatives; and if it be admitted that property in houses may be allowable on grounds of total expediency, it can hardly be denied that property in land might be.

The practical problem for the time being is, surely, on the one hand, the maximisation of production from the land at an economic profit —that is, with an increased yield to the total capital and labour of the community; and, on the other hand, the prevention of the interception of the gain by any class. What, in short, is the best land policy in the light of economic science?

Clearly, as the early economists pointed out, any taxation which discourages the application of fresh capital to cultivation is wholly wrong. In all modern taxation of land values, such an error is carefully guarded against. So far, such taxation with us applies solely to mineral values and to the new building value given to land by the spread of population and by public measures, such as municipal improvements. Can the principle then be applied to purely agricultural land in respect of national as distinct from local taxation? I do not see that it strictly can, though we are told by some land-taxers that it ought to be. Perhaps, however, it may be found that the dispute is one over theoretic terms rather than over economic essentials or political principles. In any case I shall try to show that it need not mean a practical obstacle to State action towards the economic end in view. The theoretic question is whether we can really isolate for purposes of taxation what Ricardo called the "original and

indestructible powers" of the soil, and what land-taxers rightly prefer to call the "unimproved value of the land."

It has been argued—recently, for instance, by Mr. Harold Storey in his very able *Economics of Land Value*,[1] a work well fitted to stimulate economic thinking on many problems—that we can analyse down to the unimproved value of any land whatever. You deduct first the value of buildings, and the cost of replacing fences, hedges, gates, drains, and other improvements. Then you reckon that it would take eight years of total neglect to reduce long cultivated land to mere "site value"; and, assuming that the annual value of the labour spent on a farm is about the same as the rent, you deduct eight years' rent value as representing the improvement of the land by past capital. What is left will be the "unimproved value."[2] I fear this will not hold. It is not merely labour that is put into land: much material is sunk for purposes of transmutation of soil; and soils are in time almost indefinitely alterable. Valueless bog and sea-marsh have been transmuted into good land; poor into rich. A given farm has gone on rising in value, it may be, for generations, and at each new sale the price has in part stood for the value added by improvements. Mr. Storey argues that after deductions have been

[1] Fisher Unwin, 1913. (1*s*.) [2] Work cited, p. 15.

made as he proposes, the difference in values of farms is strictly the difference between the natural fertility values of the soil. I cannot see how this is to be proved. What is now good land may have been bog or marsh or sand dune a hundred years ago or less. What is more, the value of situation, which he recognizes, is an element in farm value, and has as such been actually paid for. We really must, I think, have regard to this test of past price paid in planning for the special taxation of agricultural land.

The ethic of the question, to begin with, is clear enough. An investment in land is as perfectly legal as any investment in stocks or shares; and no theory of "the intentions of the Creator," or of the inalienableness of the soil from communal ownership, can be allowed to dictate the confiscation of an investment absolutely endorsed by past law. But in this inquiry we are looking first and last to economic considerations. Now, it is an economic consideration which dictates the proposal of the land-taxers that the burden of rates shall be removed from buildings and laid upon the capital value of the land in the market. As they justly argue, this would encourage building, whereas the present mode of rating discourages it. And here arises our crux. The capital value of agricultural land is a value partly made by improvements,

which cannot ultimately be valued. Tax a man's land, and relieve his buildings, and he will be encouraged to put up more buildings. But tax the capital value of his land, including the value he or his predecessors from whom he has bought have put *in* the land, and how is he to be encouraged to put in more? Only by either (*a*) expressly exempting from *this* tax any new value added to his land by his expenditure on it; or (*b*) by imposing instead a tax on *all* capital, which would give him no motive to other forms of investment.

Of these two courses, is not the latter clearly the right one from the point of view of the desire for maximum production, and equally from that of the reformer desirous of intercepting the unearned increment as regards agricultural land? To impose a tax on the supposed unimproved value of land as at present, and to exempt from taxation any additional accruing value that can be attributed to capital expenditure on improvement of the soil—and I can see no other way, under a special land-value tax, of encouraging such improvement—is first to make an arbitrary estimate of the unimproved value, and to open up a new difficulty as regards any future unearned increment that may be supposed to combine with the improved value arising from new expenditure. Is there any need for such a procedure? Is not the desired result, as regards

national revenue, to be attained by a uniform tax on *all* capital values? That plan falls to to be discussed specially under the head of the economics of capital: here I simply indicate it as a method which solves all the difficulties of the problem of "unimproved land value." The national need is to secure fresh improvement; and to that end we must so lay our taxation that we shall encourage and not discourage improvement of any kind. Tax all forms of capital alike, and the openings for fresh application of capital remain alike, in point of attraction, all round. The landowner has no motive to lay out his capital in other directions. As regards buildings and soil improvement his inducements are economically the same.

Harm has probably been done to the cause of scientific taxation by the argument or assumption that land values alone are the subject of unearned increment through the simple spread of population. Such increment is certainly most obvious in the case of building values, and in general in the monopoly value of land required for public purposes near large towns. It is thus a fair subject for a special intercepting taxation. As regards other unearned increment in the value of movable objects such as rare books, pictures, and so on, the imposition of taxation is practically barred (even if as regards revenue it were worth while) by the simple fact of their removability.

Plan to tax them, and in a week they would have gone abroad. But when, further, it is argued that the *whole* or the main value of land, whether for building or for cultivation, depends on population and the social system, it must at once be remarked that in the same fashion all capital, and all forms of earning-power apart from primary land cultivation, or hunting, depend for their reward on the spread of population and the social system. All forms of earning-power, then, under limits of expediency, are fitly to be subjected to an income-tax; and all forms of capital are as fairly liable to a special tax as is the capital value of land.

The ethical argument is equally clear if we consider ownership of land, with its resultant "economic rent," so-called, as a mode of investment. The purchaser of stocks or shares who lives on the interest they bear, is morally in the same position as the rent-receiver. So far forth as those elements of their income go, they all live on the general labour of the community and pay tax on their incomes as "unearned." Why then distinguish between them as regards the taxation of their capital? Economics gives no support to the proposal. An impartial taxation of all capital, limited by the considerations of expediency which regulate the taxation of income, will in no way discourage the application of capital to any form of production. The State will

get its revenue without in any way checking enterprise: the tax, in fact, will stimulate to further enterprise, just as does the income-tax.

Thus considered, the debate as to the unimproved value of agricultural land is seen to be unnecessary, and disappears from the field of practical politics. We get the required source of revenue, and the required encouragement to the productive use of all capital, by a perfectly simple method, which raises no insoluble problems of analysis of the constituents of land value. Land nationalisation, of course, remains an ideal well worth contemplation as (*a*) the simplest method of securing that all unearned increment in land value shall in future pass to the State in the form of rent, and (*b*) as being ultimately, in all likelihood, the basis upon which all forms of production from the land can best be maximised, under the best conditions of life for the mass of the people. But we are considering immediate policy; and the immediate policy of taxation indicated by purely economic tests as the right one puts no bar in the way of the ultimate nationalisation of land.

As regards minerals, the case is different; and we actually have begun the taxation of mining royalties. Here there is no question of adding to the yield of the land: the minerals can neither be increased nor decreased by fiscal policy; and if taxation of mining royalties be found to

influence landowners to withhold minerals from exploitation, a counteracting motive can be supplied (if it is thought fit) by taxing them on the estimated mineral value. But even that is a policy calling for much circumspection. To argue, as some do, that all land should be made to yield its potential economic value, is to overlook considerations of public utility which may outweigh the economic. We do not want, for instance, to have coal mines opened in public parks or in private gardens in towns. Such considerations, in short, point to the general expediency of nationalising minerals and mineral rights; since under a national control the different orders of public advantage can best be balanced; and the production of minerals can be most economically controlled.

As regards uncultivated land, however, the social and economic problem is yet again different. There is clearly no risk of having land unduly cultivated, save in the case of ground which would yield more public advantage as a public park than for crop-growing. Concerning the great mass of uncultivated land no such problem arises; and one obvious way to promote production is to put a special tax on all land which is not producing food for man or domesticated animals—with the reservations actually made in the existing law in the interests of what we may term the amenities. Broadly speaking, all

unused land not open to public use ought to pay a national tax. If the owner protests that it yields him nothing, the answer is that it is either a luxury, for which he may properly be taxed, or a withholding of means of production from use. If he can prove that no one will pay anything for its use, he may, I think, fitly be called upon either to cede it to the nation or to leave it as public playground, in respect of which all future increment in value should be regarded as unearned.

In practice, the problem comes to be one of national policy in regard to deer forests and other land used solely for sport. Either these lands are capable of economic production or they are not. If not, they are fitly to be taxed as luxuries. If on the other hand they are capable of economic production—for instance, by afforestation—in the hands of the State, where the outlay is too great or the time of profit-realisation too long to permit of their exploitation by the private owner, then the State is plainly entitled to take them over upon their market value as it stands after the imposition of the proper luxury-tax. This is the one form of "conscription of land" that seems to be indicated by economic considerations as clearly expedient at the present stage of State management. If, on the other hand, there is good reason to believe that the imposition of a heavy luxury-tax would lead

to the application of the required capital for afforestation purposes by private owners, the better economic course for the time being might be to rely on the tax so to secure the desired end.

At this point we may be faced by the plea that on any view a special tax on the capital value of all land would have the effect, by lowering its market value, of making it accessible to purchasers who, by buying it cheap, would be in a position to apply fresh capital. This is a favourite argument for a land-tax with one section of the land reformers. But it is clearly not economically valid. In the first place, the tax proposed is usually a small one; and there can be no certainty as to the amount of land it will cause to be sold. Such a pressure is actually exercised in a way that is presumably more effectual by the Death Duties, which are equitably laid on real and personal property alike, and which, we are told, do force some land into the market. But there is no security that the land so sold will be put to better economic use. It may be used exactly as before, and often for luxury. Then there would be required a progressive tax, of uncertain operation, which on the one hand would measure only the amount rich men are prepared to pay for the luxury of holding land idle, and on the other would be a deterrent to the sinking of fresh capital in the land

productively used unless the owner can be convinced that the valuation would never rob him. And I do not see how he can be so convinced.

To the luxury-tax on *idle* land, on the other hand, the only limits are those of general amenity, already recognised in our recent land taxation, and that of the preparedness of the State to take over and use land which the owner is no longer willing to hold under the tax. And this canon of taxation will have to be faced by the protectionist school who are now pleading with a new hope for a system of taxes on food imports which shall make this country wholly or nearly self-feeding as regards the main means of subsistence. Even if we put aside the plain facts that this *cannot* be done as regards tea and other tropical produce; and that it cannot be done *equally* as regards cereals, meat, sugar, and dairy produce: facts which substantially cancel the pretence of a self-feeding State—there remains the equally plain fact that the landowning class cannot ask for protective duties by way of promoting agriculture while it deliberately keeps large quantities of land idle for purposes of luxury. Simple common-sense, with little aid from economic analysis, will avail to veto that ideal. If food imports are to be taxed for the purpose of making the State stronger in a military sense, in respect of a maximised agricultural output, all idle land, broadly speaking, that is capable of producing

food, must be put under a prohibitive luxury-tax. To leave it idle is to stultify the pretence of national interest.

Thus, while political economy warns us against imperfect schemes for intercepting unearned income from land, it equally puts us on our guard against plans for enriching the landowning class at the expense of all others. Already rents are rising on the strength of the contingent protection given to agriculture, on military grounds, for a term of years, by our recent legislation. In equity, that legislation should have been accompanied by an excess profits tax in the case of the farmers. In the absence of such a tax, there is no good ground for the attempt to secure that rents shall not be raised. Let them be raised by all means, and let the State secure at least a share of the benefit by further graduating the tax on unearned incomes, of which rent is one category. By laying the tax on all forms of unearned income, we shall avert the risk of any consequent withholding of capital from land improvement.

Within the past month,[1] there has been obtruded on the community a new economic issue in regard to land, in the shape of the financial clause of the Petroleum Bill, upon which the Government was defeated. It may be said

[1] *I. e.* in October 1917.

without hesitation that the defeat was deserved. Economics and ethics here again join hands. Admittedly, boring for petroleum in this country has been prevented by the economic fact that, in the case of oil being found, the proprietor of any adjoining land would be free to bore also, and might tap the same supply. Only when a very large area is owned or controlled by one concern would the undertaking be profitable to the individual. It is thus absolutely clear that the work can be done only under a State monopoly. But in their Bill to establish such a monopoly, the Government proposed to pay a royalty of ninepence per ton to the proprietor of the land in which the boring is situated. The plea is that at present the landlord can obviously demand a royalty before giving permission to bore; and that by legally according him a royalty on the results of State enterprise we shall only be recognising an existing right, not creating a new one.

That plea is transparently false. In the terms of the case, as put by the Government, the existing land right is worth nothing, since any boring enterprise may be followed by another on adjoining land which would reap the fruits. Therefore no one will bore. If petroleum exists, it can be profitably tapped only by the State, or else by a syndicate which secures all rights. It is therefore the plain duty of the State to yield nothing

to the landowner beyond simple compensation for damage done to his land, which the Bill duly provides. To guarantee him a royalty on the State's possible production is to endow him with a source of income which he positively did not possess, and which, in the nature of the case, he has done and could do nothing to create.

It is not a mere question of amount, or of possible extra loss to the State. Even if the quantity of available petroleum be great, the royalty, doubtless, would not amount to much; though on the other hand it might easily happen that the State would spend £10,000 to get £1000 worth of petroleum, upon which, had the financial clause of the Bill been passed, it would have had to pay royalties. But that is not the vital issue. The true ground of resistance is that there is neither economic nor ethical need to yield the landowner a royalty, since he counts for nothing in the production. The State provides the capital in creating the monopoly, and it should have the whole surplus of output over costs.

Some confusion of thought appears to have arisen in this connection, alike among reformers and Conservatives, in respect of the supposed analogy between existing mining royalties and those proposed to be created under the Petroleum Bill. There have always been reformers who, oblivious of economics, have proposed to "abolish" mining royalties. Now, at this point

the Ricardian analysis is absolutely valid; and mining royalties are on all fours with land rent. Abolish royalties—assuming for argument's sake that legal abolition would have a meaning—and the amounts now paid as royalties will simply go into the pockets of the lessees. Should the landlords in that case refuse to lease, you might indeed compel them to do so by taxing them on the amount of the estimated annual value; but you would still be only enriching the lessees. Mining royalties are simply the measure of the excess profits yielded by mines of varying fertility and site advantage. The poorest mine pays a penny a ton, or nothing. To put all on a nominal rental equality is simply to endow the lessees of all above the zero level.

It has been justly remarked that an immense source of gain might have been secured to the State without any mulcting of individuals if *all* mineral rights in this country had been vested in the crown as they were in the medieval Holy Roman Empire as regards Germany; and as they actually were in Britain at an early date as regards gold and silver, and later as regards saltpetre, when that was found to be a vital munition of war. But it is a mistake to suppose that on the Continent there has resulted the due gain to the State. That could have been secured only by *exacting* mining royalties on the lines of economic rent. When we are told that British

royalties on coal and iron are a handicap as against lower royalties paid on the Continent, the answer is that if the Continental royalties do not vary as ours do, there is simply going on an enrichment of Continental lessees as against the enrichment of landlords here. The richer mines will not sell—except, as aforesaid, on a falling market—at lower prices than those earned by the poorer or worse situated. The fact that under the protective system the cartels sell coal abroad at lower prices than they charge at home does not affect the argument. Our own mines, paying their economic royalties, will sell abroad, as at home, at a low price on a fixed contract. In any case, the economic surplus is actually yielded under any system; and it would appear that in Germany, where it nominally goes to the State, it actually goes in practice, in large part, into the pockets of favoured lessees.

It may be asked, finally, what economic science has now to say on the question of small holdings. Long ago economists pointed out that the "magic of property" sufficed to make small holdings profitable, the cultivators being ready to put an unlimited amount of labour in the land when they held it as their own. And the statement was perfectly true. But the truth is of limited application. Unless by means of an amount of toil that is undesirable from the point

of view of the standard of good life, small holdings cannot profitably be multiplied beyond the number requisite to yield certain kinds of produce. Doubtless that number could in this country be greatly increased. But to multiply small holdings for purposes of cereal and dairy produce in general would be uneconomical. The best results in these directions are clearly to be attained by farming on a large scale; and labourers so employed may be secured better life conditions than would be possible to a large population of small cultivators. The once popular formula of "three acres and a cow" was a lamentable instance of democratic delusion in these matters. A cow is only periodically in milk. Three cows would be needed to secure constant supply. And the three acres might be a very poor basis of income.

The object lesson furnished by Belgium, for instance, is a corrective to the assumption made by some land reformers that small holdings mean the maximum of good life. Small holdings there are—or were—far more numerous than in this country, but the average standard of comfort was demonstrably lower. We must remember, in short, that in this country agricultural production is in general not more but less profitable than manufacturing; that a given amount of capital and labour will secure a larger return in value than the same amounts, with existing methods and implements, in agriculture; and that the

excess value can probably purchase the required foods in the future as it has done in the past; to say nothing of the fact that the mercantile marine, of which the economic basis is the carying of our imports and exports, is the political basis of our fleet. What political science—or common sense—has to keep in view is the maintenance of all our means of strength at as high a level as possible.

As regards agriculture in particular, then, the true formula is the maximisation of *profitable* production, the securing that land does not lie idle which labour on either a small or a large scale could cause to yield a fair return; and that there shall be due encouragement to the investment of fresh capital in improvements of all kinds.

A blind pursuit of the ideal of self-feeding, on the other hand, may easily lead to the most disastrous waste; and seeing that no development on that line can yield absolute security, bad harvests being chronic in all regions, it behoves us to resist resolutely every scheme of which the motive is discernibly class enrichment while the pretext is national defence. Provision has been made for the special encouragement of agriculture during the war, by guaranteeing its profits for years afterwards. There can be no excuse for any further commitment of the national future on professedly military grounds. Future progress

is rather to be made by planning towards that nationalisation of land which alone will raise husbandry above the snares of the hard law of things by which scarcity of food for all becomes a source of special gain to the corn-grower. It has kept farmers collectively in an attitude less favourable to all-round public spirit than that of those concerned in trade, who are conventionally held to be the more selfish wealth-seekers. While both callings remain on the footing of competitive private enterprise, trade is really the more humanising of the two.

It is the business of the State so to regulate both as to obtain the maximum gain with the minimum of social harm; and the most truly progressive State is that which best does so. For the present, with labour to some extent, though quite imperfectly, safeguarded, maximum production is to be sought on the present lines of ownership. But just as surely as landowners' interests are pushed, and farmers seek to obtain fresh security for high profits, the demand for a larger share for labour will be redoubled, with a growing probability of nationalisation as the only ultimate solution.

V

THE ECONOMICS OF CAPITAL

In considering capital from the point of view of national policy, there is no need to debate long, though we must pause for a little, over its definition.[1] For theoretic purposes, it is conveniently defined as "That portion of wealth devoted to the production of more wealth." The idea, however, would be more exactly presented if we said: "That portion of wealth and of *credit*, or *command* of wealth, used to obtain more command of wealth." For the man whose capital is wholly invested in stocks and shares, and who sells out one and buys another where he sees his way to gain, is as truly a capitalist, though a non-producer, as he who devotes his command of wealth to direct production; and

[1] I do not attempt to discuss the analyses of capital offered by Professor Marshall (*Principles*, 2nd ed., Ch. IV). They present the perplexity of a repeated overlapping of terms. Thus, what is marked off as "Trade Capital" appears again in the forms of "Consumption" and "Auxiliary" Capital. The discussion of Professor Gide (*Principles of Pol. Econ.*, Eng. tr., 2nd ed., pp. 120–4), in which capital is defined as consisting in objects and yet is recognised "in the form of" scrip, is to me equally enigmatic. It seems best to offer an independent presentment, in terms of the current language of business.

his merely invested capital is as truly capital for him as the other's. I put it long ago that "Capital is any economic quantity used for purposes of gain;" and the definition, I think, will hold; since it covers alike credit or fluid capital and that which is embodied in stock or in instruments of production.

Discussions on capital in our economics date from Adam Smith, who, after dividing fixed capital into four categories—(1) machines and tools, (2) buildings used for production, (3) improvements of land, and (4) acquired and useful *abilties*—made a further analysis of circulating capital, which he described as consisting in money (that is, coin) and in three categories of things in the hands of traders.[1] To-day it is obvious that coin is least of all a capital factor in the productive process, its total quantity being a very small fraction of the registered capital values. It is in fact merely the means of transit of small sums of command of wealth. If, with Mr. Melrose, we take "currency" to mean now the whole mass of accredited "paper," or bank credits, the available loanable "money," in the larger sense, was in the pre-war period many times greater than the whole mass of bullion in the country. In the age of cheques and scrip, Smith's definition is obsolete, as to money.

[1] Bk. II, Ch. I.

After his time, there grew up [1] the practice of eliminating money from the definition without substituting registered credits, and conceiving capital as consisting in those "fixed" and "circulating" quantities described by Smith—that is, plant, buildings, land improvements, acquired abilities, provisions, material, raw or partly manufactured, and trade stocks. Commonly, ability is set aside as a disparate item, not being open to evaluation, and we are left with the categories of *things*. But this conception is equally inapplicable to the procedure and the phenomena of the "capitalistic" age. And still more inapplicable is it to the purposes of political economy in the sense of that term which is valid both for Smith [2] and for us—that is, political science in the light of economic science.

To argue, as some still do, on the old lines, that capital is to be conceived as consisting solely in the material things already produced [3] that are used for fresh production, is to exclude from economic view the mass of registered money credits which are constantly described and

[1] See Professor Marshall's note to his Ch. IV on the history of the definitions of capital.

[2] *Wealth of Nations*, Bk. IV, Introd.

[3] "The word capital should only be applied to material products," writes Dr. Pierson (*Principles of Pol. Econ.*, Eng. tr., I, 177). He is immediately deprecating the application of the word to personal qualities (Smith's "acquired abilities"), but he means his phrase in its full sense.

regarded as capital in the whole business world.[1] True, credits are all ultimately referable to the values of exchangeable things; but those values are all, in different degrees, in a state of flux, so that irrespectively of the changes in the amount of the things themselves the amount of "capital" available for setting actual things and labour going—the really "capital" function in production—is constantly varying. In times of depression, of large unsold and unselling stocks of goods, capital is not merely "held back": there is actually less of it to come forward, since the values upon which credit rests have shrunk. Stoppage of production means a further decline in the aggregate of values; and "capital" is restored both by production and by renewed demand for products. Capital, then, both from the political and the economic points of view, is to be conceived as a partly psychological phenomenon.[2]

The question, as was long ago observed, is not "What *is* capital?" but "What is capital to be?" "What are we to regard and describe as capital?" And the scientific answer, I submit,

[1] "We must . . . take the ordinary usages of the term as the foundation of our account."—Marshall, *Principles*, I, 128. The Professor, however, does not so deal with credit capital.

[2] The student may profitably study the searching criticism of Adam Smith in Professor Cannan's *Distribution and Production*, 1893, Ch. IV.

is that the word stands at bottom for any economic quantity in the "capital[1] relation" to other quantities. For each man, the relation is in part personally determined. He may treat a given sum as either capital or income. In peace time there is a standing risk concerning "saved capital"—that is, bank credit or command of wealth—that it may be accumulated in excess of the opportunities for its profitable use, and that the act of saving credit may be carried to the point of unduly curtailing consumption. In that case there is a struggle for survival among certain capitals, and some is lost, its enterprises collapsing or its products becoming unsaleable at profit. In time of war—at least of this war—we are conscious only of the overwhelming need to save credit=capital, in order that the war may be financed. After the war, the problem may be, How is credit capital to be found for the new financing of industry? Perhaps it may not be so: the unprecedented financial conditions may yield unexpected results; but it is prudent to assume that the fears expressed on the subject may be partly verified.

For our practical purposes, again, there is no need to go deeply into the metaphysics of national as distinguished from personal capital. Once more, capital, resting on value, is a matter

[1] On the etymologies of the word see Cannan, as cited, p. 58 *seq.*

of relations. The aggregate of values, the totality of things saleable, is but an abstract sum of separate possibilities of sale.[1] A's house is reckoned to be worth £2000; B's factory £10,000; C's ship (in peace time) £30,000; but offer all the houses and factories and ships (in peace time) for sale at once, and these values will not be "realised," as we oddly say when we indicate the exchanging of a piece of wealth for command of wealth, the universal ultimate desideratum. Values are realities only in relation: aggregated, they are but an arithmetical expression. To say, then, as does Jevons, that "capital is concerned with time"[2] is to tell only a fraction of a truth. All values are "concerned with time," being in the aggregate "realisable" only by effluxion of time.

Nor does Jevons clear up anything by saying on one page that capital "*consists merely* in the aggregate of those commodities which are required for sustaining the labourers of any kind or class engaged in work";[3] on the next that "the current means of sustenance constitute capital in its *free and uninvested form*";[4] and then that "capital *enables us to make a great outlay;*"[5] and yet again that "capital simply allows us *to expend labour in advance.*"[6] There

[1] On the whole question cp. Cannan, as cited, Ch. I, §§ 3–6.
[2] *Theory of Political Economy*, 2nd ed., p. 248.
[3] *Id.*, p. 242. [4] *Id.*, p. 243. [5] *Id., ib.* [6] *Id.*, p. 245.

may be dispute as to any one conception of capital; but it cannot be at once an aggregate of certain *commodities*, which are unintelligibly alleged to be "free and uninvested," and something that "*enables us to make a great outlay.*" Only bank credit enables us to "make an outlay": the commodities are the things laid-out-upon. And of the commodities utilised in the preliminary course of an enterprise, before it earns profits, many may not have existed when the enterprise began, or may have had to be brought into the country from without. This repetition of the old effort to reduce the conception of capital to commodities—food, plant, and so on—in the act of affirming that it is "concerned with time" (that is, permits of delay in attaining profit) is simply a confounding of confusion, which warns us to widen our formula. It is the command of commodities, not the commodities in sum, that constitutes business capital in this aspect.

What we have to realise is, first, that as regards production the "capital thing" is the command of wealth, registered credit, power to pay. But, secondly, we have to note that all capitals, separately considered, are values, negotiable shares of command of wealth. They do not represent any measured totality of things. Try to buy things with all the registered credits in the course of a few days or weeks, and the prices

of things will rise enormously—the value of the fluid credit shrinking in proportion; just as the values of the things would shrink if they were all offered for sale at once. Obviously the National Debt is the sum of private credit capital lent to the State; and every holder is a capitalist to the extent of his holding, on which he draws interest.

Just as obviously, the National Debt is neither capital for the State, nor representative of immediately realisable values of things.[1] Hence the constant difficulty of stating the amount of the nation's aggregate wealth—a difficulty equally great with that of stating the aggregate national income. The use of such calculations is solely as stating the aggregate amount of the accredited shares of command of wealth. A calculation which, for fiscal purposes, adds up alike the nation's debt, the value of the land, and the amount of the mortgages on the land, stands only for a fiscal fact, not for a statement of existing real wealth, save in so far, it may be, as we can assume that increase in the aggregate of claims to wealth means increase—how far proportional it seems impossible to say—in the actual quantity of desirable things produced and subsisting.

[1] It is the omission to note the essential difference between this negative form of capital and the positive form applied to production—a difference rightly insisted on by Dr. Pierson—that hardens the ordinary economist in his limitation of the term capital to material things.

But the fiscal fact, as it happens, is what we are concerned with. Taxation is the State's main instrument of energy-production, in peace as in war; and the State's relation to the problem of capital after the war will be one of adjustment of taxation. Already this is being recognised in a newspaper discussion on the Taxation of Capital—a procedure once considered so illicit that so to describe any form of taxation was regarded as the most effective aspersion of a new tax-scheme. To-day, the advocates of the method, or some of them, are so far from deprecating the old resistance that they even challenge new by calling their scheme one for the "Conscription of Capital." It is worth while, therefore, to linger a moment over that political conception.

There need be no debate over the ethics of the case. If a State in its need is entitled to make conscription of lives, it is certainly entitled to make conscription, for the same ends, of property. In point of fact it has obviously done so from the moment of the outbreak of the war. Conscription, whether of life or property, is not confiscation. It is only by chance of war that the conscript dies: when he does, a certain compensation is made to his dependants; and while he lives, he is paid a wage. So with property. The State took horses and wagons and land wherever it required them, making

compensation for the use of the land, and for the value of the horses and wagons. That may consistently be described as conscription of wealth, or capital, so far as it goes.

But the phrase carries, of course, the further idea of proportional conscription of all capital, all wealth or command of wealth, so far as the nation's need may go. And in this sense the proposal is more strictly equitable than any plan of life conscription can be. For the conscript's eligibility is one of age and health: the man above the military age and the man of poor health (in theory at least) are immune. Ethically, then, the case would seem to be clear. Just, however, as in regard to land we found the purely ethical conception was usefully to be superseded by the economic, so do we find the case to stand as regards capital. The practical problem is, How can be best obtained the largest command of credits for war purposes; and it is fairly plain that it is much more easy to get them by borrowing than by levying. Impose a levy on all capital values—the only equitable course—and if it be heavy enough to finance the war you put millions of men in the position of having to borrow in order to pay, besides setting up the friction of millions of protests against the valuation made of fixed capitals. At once, then, the theoretic equity is seen to involve practical inequity, or enormous risks of it, by reason of

the special need for haste; and the end in view is made more difficult of attainment. Decidedly, we must hark back to economics.

Germany, it is understood, resorted to the method of the levy very early in the war, by way of calling for forced loans. All citizens who had fluid capital were called upon to lend it, or a portion of it; and all owners of fixed capital were called upon to mortgage it to a State bank for a portion of its value, and pass over the amount so borrowed to the State, in return for scrip. That scrip, in turn, was again called up, at a reduced valuation, as a new loan; and to an indefinite extent German war debt has been thus built up by paper upon paper. There could be no better proof of the financial superiority—the superiority in command of wealth—that has arisen in Britain under its Free Trade system, as compared with the position of the protectionist State. Germany had already, before the war, tried a levy on capital, for military purposes, with the result, it is understood, of great disappointment to the Treasury and no less exasperation to the capitalist class, great and small. One of the economic inferences is that capital values under a protectionist system are to an abnormal extent unreal, as compared with such values in the free-trading State.

There emerges the broad fact that while the protectionist State found itself thus compelled

to levy forced loans from capital at a very early stage of the war, the free-trading State has reached the fourth year of the war without requiring to do so, though making much the greater financial effort in proportion to population. It would indeed be rash to predict that the colossal conflict can be carried to an end without resort to the German expedient, but conceivably it may; and for the reasons already indicated it is very desirable that it should. Only a high rate of levy could make any serious difference to the financing of the war; and the higher the rate the greater the hardship, the friction, and the hampering of industry. But whereas any tax on capital will be levied with the maximum of difficulty during war, it may be levied with precaution and deliberation during peace; and during peace, there is every reason to believe, it will not only be a most valuable means to the reduction of debt but a great facilitation of the required supply of capital for new industrial needs.

Those calculations, before referred to, of the aggregate amount of the capital owned by the entire people of the country vary significantly between something like twelve thousand millions and twenty-five thousand millions. The former, grounded on the statistics of the death duties for a generation, seems much the likelier to be correct; and for purposes of exposition I will

make the still safer estimate of ten thousand millions. An average tax of 1 per cent[1] on that sum may be assumed to be bearable without great hardship, and it would yield £100,000,000. The aim of such a tax should clearly be to pay off debt. I gather from Mr. McKenna's speech on the £400,000,000 vote of credit at the end of October, 1917, that our revenue dispositions have so far been made with the object of not only providing from annual taxation the interest on the immense debt we are piling up, but of providing a sinking fund. This provision, however, in his opinion threatens to be inadequate; and on any view it may be urged that a further provision for debt reduction is highly expedient.

There has been discussed among business men the alternative of a much larger levy on capital values by way of a much more extensive reduction of national debt after the war, on the ground that to maintain the immense revenue required for paying interest on £6,000,000,000 and meeting normal national expenditure will mean an income-tax of crushing and crippling force. There is much to be said for this view, provided that two things are recognized: (1) that as the real aim is to reduce prospective claim on wealth, the levy should fall, in order of pressure, first and most

[1] It might be graduated from one-half per cent. on capitals of £8000 to £8000; to 1 per cent. a considerably higher total; and thereafter graded up to 2 per cent.

heavily on scrips and other sources of "unearned" income, and least heavily on capital values as represented by plant and trade buildings; and (2) that it is not admissible to tax war bonds themselves at the same rate as other scrip. The total result of such a levy would be to reduce the interest-drain on the nation by paying off war bonds.

But it is obvious that any such large levy as is contemplated by the argument could not be met out of "bank money"; that most of it would have to be met by simple surrenders of scrip, or sales of property, or borrowings; and there would arise the problem of falls in the value of the scrip and property thus suddenly put on the market on a great scale. The scrips, indeed, might be transferred to holders of war bonds at a fixed market price, in substitution for their State bonds; but this would be hard to adjust with equity; and in any case there would arise the difficulty of borrowing at the same time on a great mass of properties. There may be some way of conducting such a wholesale readjustment of claim on wealth without a crash. Bonds or scrip bearing no interest, as loans to borrowers on property, have been proposed—a device difficult to foresee the working of. Pending, then, the full formulation of a workable levy on capital on a great scale, which will in effect only write off a large quantity, or

successive large quantities, of debt scrip, without upsetting finance in general, it may be well to contemplate a levy on capital which can be largely met out of income, and will involve sales and borrowings only to a manageable extent.

Some systematic provision there certainly must be. Mr. McKenna, I believe, would be the first to say that a lasting income-tax approaching ten shillings in the pound would not only be a great strain on the majority of those who had to bear it, but might be a serious handicap to industry. The sooner, then, the strain of taxation of incomes, at even the present figure, is relieved by other methods, the better for the nation in every regard.

The conscription of capital, in short, is by its nature an expedient for peace, when alone it can be considerately applied. In war time it could not possibly take the place of other forms of taxation; and its levy, suddenly made, without time for careful valuations, would mean the maximum of friction; whereas any sum it could reasonably be expected to yield can be obtained by borrowing without any disturbance. In time of peace, again, a 1 or 2 per cent. tax will yield a relatively immense sum without any serious financial strain. The amount raised may be partly withdrawn from credit accounts by the payers, partly raised by borrowing on fixed

capital values. So far there might be hindrance to industry; or at least mere transference of working capital from one hand to another. But much of the tax will certainly be paid out of income,[1] the rate of tax being so low that many will prefer, as Ricardo saw, a bearable reduction of expenditure to a diminution of capital. The revenue for debt reduction must be found somehow, and either incomes from investments or the investments themselves are indicated as the most obvious unearned sources, provided that the tax is limited as regards smaller capitals on the lines of the existing income-tax. But we shall see reasons for extending the taxation beyond the sources of technically "unearned" income, to "fixed" capital of various kinds. And inasmuch as, apart from business capital, a large mass of futurely realisable values exists which does not yield income—as land held for pleasure, unworked minerals, furniture, jewels, pictures, and other works of art—a tax on capital values has here an advantage over a simple increase in the tax on unearned income, though that, especially on high incomes, may fitly be taxed at a heavily graduated rate.

A tax on capital values will not only yield a revenue to pay off State Debt—an obviously desirable process, both on grounds of social

[1] Levies on State stock itself, for instance, would in general be so paid.

equity and on grounds of State finance—but so far as it is paid out of income will constitute a means of turning negative or unproductive capital into productive. The holders of the debt scrip which is paid off will in general desire to preserve their capital as a remunerative credit, and it will accordingly seek investment, in the usual way, on productive lines. In so far as the tax has been met by borrowing, it will constitute an offset to the amount released; but the rest will be available as free capital seeking re-investment. If capital is needed for home industry, it will so far be provided; if not, the free credit will seek investment elsewhere; and in either case the State is being gradually relieved of its gigantic burden of annual interest on debt, much of which maintains idle life. At that rate the entire National Debt might be paid off in fifty or sixty years, the process all the while tending to reduce idle living and promoting wealth production.

The ethical question we have already considered. Under that head there can be no valid objection save in respect of the difficulty of an equitable valuation of some forms of fixed capital —a difficulty always present, and one to be met with deliberation. Given equity of incidence, a tax on capital levied equally on all forms—land values, building values, stock values, scrip values, art values, and plant values—would at once solve

the problem of land value taxation without doing any injury to agricultural or any other form of production. Where a special tax on land values would tend to discourage the sinking of fresh capital in land, this will leave the landowner under no motive to turn his capital to any other purpose. The fundamental principle of valuation will just be market value: the economico-ethical conundrum as to the "improved" and "unimproved" value of the land will be simply put aside. In so far as the landowner has actually added to the fertility and therefore to the value of the soil he will suffer no injustice in being taxed on that, since all other forms of capital will be taxed equally.

It would indeed be consistent with equity, in theory, to tax at a higher rate all forms of capital yielding technically "unearned" income—that is, land, houses, and scrip—as compared with capital fixed in productive undertakings depending for their continuance on personal control by the owner. The landlord, as such, gets his rent, as the shareholder gets his dividend, without doing anything towards production. But an adequate discrimination is already made, or may if necessary be further made, in this regard, by the income-tax; and it seems unnecessary to carry it further in the taxation of capital, where it would raise the insoluble problem of the "unimproved value" of the land, and so

would involve, as aforesaid, the risk of diverting capital from agricultural improvement.

Besides, taxation even of capital fixed in plant, trade buildings, ships, and machinery, will not altogether be met by borrowing. Restriction of personal expenditure is as possible on the part of what we may term "working capitalists" as any other, and is in the main as desirable. They too can pay a moderate tax on capital wholly or largely out of income; and the owner of working or fixed capital is better able to meet such a tax than the salaried man or many professional men because he is normally or often building up a "good-will" which is an ultimate provision for him, whereas the salaried man and many professional men must make their final provision wholly out of savings. The discrimination between earned and unearned income is certainly one of the soundest and most important fiscal reforms of modern times; but even that and the super-tax do not represent the limits of sound taxation, of which the guiding principle is the possibility of getting revenue without injuring the springs of industry. If, then, fixed capital can be made to yield revenue without impairing productivity, by impelling the capitalist to pay out of income, it is fitly to be taxed. Good-will value is partly of the nature of site value, a result of the total activity of the community; and its prospective

acquisition constitutes a clear capacity for tax-bearing at a juncture when a dead-lift must be made by the nation. The only valid counter-argument would be that of arrest of industrial enterprise.

There remains, however, the quasi-economic objection that a tax on capital will frustrate the purpose here professed by "driving capital abroad"; and here we are called upon to make a new analysis. Ricardo handled the problem with less than his usual power. First, he admits that so-called taxes on capital and taxes on income may alike fall upon income, since the payer may elect to pay a capital tax out of his income, diminishing his expenditure. Then he argues that "it should be the policy of the Government . . . never to lay such taxes as will inevitably fall on capital, since, by so doing, they impair the funds for the maintenance of labour," and thereby diminish production.[1]

The only illustration he gives, however, of a tax inevitably falling on capital is the legacy duty or death duty; and his objection here is not only disallowed by a fiscal experience extending far more widely than that of his age, but rebutted (1) by his own admission that the desire to add to capital is constant, and (2) by the consideration that the money taken by the State is either directly or indirectly devoted to

[1] Ch. VIII, "On Taxes."

the maintenance of labour. Devoted to the reduction of National Debt, it releases credit for fresh application to production. Spent in public works or in civil service salaries, it employs labour that is either directly or indirectly productive. Further, a tax on capital which is not in effect confiscatory is a fresh incitement to effort to create new capital. That objection, then, may be dismissed. In the case before us, the effect in view is the turning of nationally unproductive capital—or rather debt, the negation of productive capital—into productive capital.

Mill, I think, does not discuss the subject; and Sidgwick, who disclaims offering any detailed theory or system of taxation, also avoids it, as do Professor Marshall and many other economists. Professor Bastable, who necessarily faces it in his valuable work on *Public Finance*, notes how hitherto the taxation of capital has hardly ever gone beyond land and buildings, and observes that

"Floating capital as such is so closely combined with other elements, and is so hard to trace, that its separate taxation is hardly ever presented. Unless this large part of wealth is reached in some way there is an undue encouragement given to it. Investments in land and industrial enterprises are checked, and the distribution of taxation is so far unfair. These reasons point towards the adoption of the general income-tax. . . ." [1]

[1] *Public Finance*, 1892, p. 403.

This reasoning, I think, offers no bar to a general tax on capital, which ought to reach floating capital like every other kind. France, Professor Bastable notes, has employed a substitute for our income-tax on interest in the *Impôt sur les valeurs mobilières* which was introduced in 1872, and which yields no great revenue. But "in some of the South German States a special capital-tax has been developed"—this more than a quarter of a century ago. "Bavaria has a capital-tax besides its income-tax; and South Würtemberg and Baden have somewhat similar imposts." [1] To these, Professor Bastable offers no economic objection, dwelling merely on the difficulty of making a tax on the *yield* of capital properly effective.

Dr. Pierson, in turn, suggests that the *Impôt sur les valeurs mobilières* should, when the time is ripe, be discarded in favour of a progressive income-tax; [2] but from his general treatment of the question of a property-tax I do not gather that, as regards our present special problem, he would urge any economic objection to a 1 per cent. tax upon all capital.

We now revert to the purely modern objection, undreamt-of in Ricardo's day, that taxation of capital as such will tend to "drive capital out of the country." Probably, indeed, that

[1] *Public Finance*, 1892, p. 404.
[2] *Principles*, Eng. tr., 1912, II, 594.

objection was raised long ago to the income-tax, in which case it would have to take the form of the threat that the capitalist himself would go. That particular threat, I think, we may now ignore, income-tax being now a fairly widespread burden; and Britain being on the whole a pretty good country to live in—with Free Trade. But there remains the problem of the removal of his "floating" capital. The true general answer, I believe, is that foreign investment of floating capital has always taken place in due proportion to the attractions offered by foreign investments—safety, of course, being one of the determinants of attraction. Some years ago we were told that such foreign investment of capital was the special Nemesis of Free Trade; but it immediately turned out, as might have been expected, that exactly the same complaint was being made in protectionist Germany and France, which States both contemplated measures to guard against the trouble. During the war, there is reason to believe, both States, like ourselves, have found their foreign investments highly convenient.

Observe, first of all, that foreign investment in the mass means exportation of produce. You cannot export land, or mines, or railways, or factories, or houses, or mortgages—save as scrip, which is not the form of capital required by the foreigner. He borrows in order to do things; and he gets his loan in the form of

goods. There is no other way in which large sums of capital value can normally go abroad for investment. In order, then, that floating capital should go abroad there must first be exportation of goods, which means, *pro tanto*, additions to home capital out of profits. The value of those exports he may leave abroad, as he did in the past when he lent money abroad; but if he receives interest on it he will be taxable on the capital. He who has invested abroad, of course, may leave his interest to be invested there as fresh capital; but if he is ever to receive interest on that at home (and we have concluded that he is not likely to remove himself), he makes himself liable to taxation; and his interest, further, must come in the form of foreign produce, which will tend to reduce prices for us. What the State would theoretically tend to lose, then, would be simply the amount represented for the time being by the income-tax on the amount of interest turned for the time being into capital abroad. As soon as he does receive interest, he indicates his foreign capital, upon which he will be taxable here just as upon his income.

To escape the tax on capital, in short, he will have to leave his interest on his foreign capital accumulating abroad *as* capital till his death, and *then* his heirs will pay the death duties. To what extent, then, is this process likely to

affect the yield of a 1 per cent. tax upon capital? Surely to a very small extent indeed. It is precisely that kind of investor who is most likely to pay the tax out of income, being presumably not necessitated to borrow. The amount of money thus invested abroad will probably, indeed, be less than the amount we shall actually require to send abroad in payment of our interest to foreign debt-holders in excess of their interest on debt to us and their payments for freight and insurance services rendered by us.

All the while, be it remembered, most foreign States will be compelled, like us, to tax incomes heavily, and may very likely have to resort to the same expedient of a tax on capital. On the whole, then, there is very small ground for supposing that the threatened exodus of capital will be such as to affect appreciably the amount available for industrial purposes at home. A considerable superiority in the rate of safe interest abroad would be a much stronger inducement to export of capital than would a 1 per cent. capital-tax. The tax on £10,000 would be £100. Invested at home at 5 per cent., the £10,000 would yield £500, leaving £400 clear. But interest on money productively invested at home will often be above 5 per cent.; and I imagine that after the war it will long remain high enough to keep the bulk of our floating capital at home. The immense amount of

reconstruction work called for in the devastated countries will gradually create a greatly increasing demand for labour as soon as the primary food needs are secured, and in such a state of things capital will find remunerative employment.

If it be objected by those hopefully bent on "making an end of capitalism" that we have offered no prospect of their speedy success, the answer is that a moderate tax on capital, such as is here proposed, is a much more scientific way of making a *beginning* of an end of capitalism than any of their plans of class war and confiscation. When national debt is paid off, even if we have not by that time nationalised land and mines, as well as railways, the established practice of taxing capital may be utilized for any further experiment in State action that acquired experience may indicate as desirable. Any other way of getting rid of capitalism than by gradual evolution is absolutely chimerical, unless the zealots are to content themselves with a universal industrial smash in which wealth and leisure and culture will alike disappear, and the survivors will resume the primal task of getting a bare living from the soil. Hatred of the capitalist as capitalist is one of the puerilities of men who, had they been born to capital, would mostly have used it just as other men have done. Substitution of another economic system for capitalism can be attained only by

the controlled and rational progressive action of the whole community, in which capital itself will share, as in the past. Among reformers there are two schools of error, the dupes of hope and the dupes of hate. It is hard to say which can miscalculate the more widely; but of the latter we may be sure that they at least will never build.

As against the champions of social revolution, we shall doubtless hear much in the reconstruction period from the school of reformers whose formula is "Free Banking," or, as some of them put it, "Free Trade in Capital." They are quite as earnest as the Socialists, and quite as convinced that they hold the sole secret of social salvation. Some such doctrine as theirs has appeared chronically in our economic literature for at least seventy years past, since John Gray, newspaper proprietor of Edinburgh, published his *Social System, a Treatise on the Principle of Exchange* (1846 ?), and his *Lectures on the Nature and Use of Money* (1848). Gray's scheme, embedded in masses of denunciatory rhetoric, is for a Standard Bank, issuing Standard Money, which is to consist solely of certificates of actual produced goods or real property at a fixed value. The producer is to intimate to the bank his production or possession of these goods or properties, and is forthwith to be credited with their value in standard money, all money

received for the sale of his goods being payable solely to the bank. He, however, is to give "security" that he will "retake" at the full fixed price any portion of his goods or property that may not be found saleable at this price, when called upon to do so.

By this scheme, making "exceptions" only for traders (1) in perishable, or (2) dangerous, or (3) "fanciful" goods ("such as ladies' made-up dresses or millinery"), or (4) "goods made or imported for special or peculiar purposes" (such as new machinery)—making these suggestive exceptions, Gray promises to secure a state of things in which there will never be gluts, because all production will *constitute* demand, the standard money representing goods, and trade depression and unemployment will vanish. The idea is that the producer who is at once credited with the value of his production, as fixed by himself, can become a consumer to that amount, and so nothing will be left unsold. Nevertheless, be it noted, the merchant is to give in advance "security" that he will take back his goods at their fixed value if they are *not* sold. As to who shall give that security—a proceeding apparently calling for another bank, of a still more peculiar kind—Gray does not appear to have troubled his fervent head.[1]

[1] *Lectures on the Nature and Use of Money*, 1848, pp. 109–19.

According to the *Economist* of May 27, 1848, some such bank was actually established in France in that year of wild hopes and wild schemes. It was called "The National Society and Bank of Exchange," and among its promoters were F. Bastiat, Michel Chevalier, and Émile de Girardin. It was, or was to be, a "Bank without Capital," such as Gray had previously proposed. How long it lasted, or whether it ever started, I am not aware. Concerning all such schemes, as concerning the economic optimism which used to persist in declaring that because all production "is demand" the one thing needful is to produce something of which there is not a glut—the short and simple criticism is that they ignore one fundamental fact, namely, that producers in general seek, not to consume to the value of their production, but to withhold part of their command of wealth by way of provision for the future. Upon that economic rock the ship of perpetual-motion-in-banking always founders.

You may, if you like, say that the savers are all seeking the commodity called remunerative credit—for it may be so conceived. So be it. The answer is that that commodity is not indefinitely producible, and has a way of suddenly contracting under pressure. For the remuneration of credit depends largely upon continuity of demand for products, which in the nature of

the case is liable to chronic interruption by reason of relative under-consumption, resulting from, or intensified by, the desire to retain command of wealth for the future. The "cursed fraction" will never wholly disappear, though commercial vigilance may greatly limit its expansion, while men are bound to save credit by way of private provision for their families and their old age.

As regards those other schemes of "Free Banking" which rely upon a free issue of notes, the criticism is the same. Such banking has been represented as working marvels in Scotland between 1716 and 1844, a period described as "the only example of Free Banking the world possesses."[1] Doubtless there was much progress in Scotland, especially in the latter part of that period; and the Scottish banking system of Cash Credits played a large part in the process. But there has been much greater progress since, because an unlimited issue of notes is not essential to the giving of banking credit, and can no more solve the problem of trade depression than could the Standard Bank schemed by Gray.

That more may be done for industry by further developments of banking credit is, indeed, very likely; and a State Bank may well, as

[1] A. E. Hake and O. E. Wesslau, *Free Trade in Capital*, 1890, p. 276.

Mr. Melrose argues,[1] be a necessary development of the near future. The note issue, which in 1914 he argued, as others of us had argued before, ought to be taken over by the State, has under stress of war been taken over, and State paper money has doubtless become a permanent thing in our national life, representing as it does a national asset which the State cannot sanely surrender. Absolute limits to further State action no prudent prophet will set. But while the State has a potential faculty, thus far unmeasured, of stimulating production by its use of its virtually unlimited credit, it is not credible that that power can come into use on a large scale save by way of gradual development of State functions. Controllers are far from popular, however necessary in war time.

What has been done in war is not a trustworthy precedent. War, strictly speaking, has no economics: it has only expenditure, loans, and taxes; and there is all the difference in the world between production for profit and production for destruction. But what is most important of all is the fact that every operation of State finance in peace is a battle-ground of interests, all represented in the legislature. It was with great difficulty that we were able to get State support for a British Dyes concern in an early stage of the war. These are not conditions for

[1] *Data of Economics*, p. 377.

the successful handling of a scientific mechanism of any delicacy. Thus far the idea of a State Bank for the financing of foreign commerce has not made any promising progress; and as the inner history of the Deutsche Bank remains, and is likely to remain, unwritten, there are wide openings for scepticism as to the beneficent possibilities of the plan. In any case it could for the present be only one factor in promoting a trade which has a hundred other sources of economic energy; and upon these sources our main reliance must be placed.

Concerning capital, then, we sum up that it is a force whose full operation depends upon mental as well as physical conditions. As regards potentiality, it is certainly a varying aggregate—varying in respect not merely of the quantities of the things on which it ultimately rests but of the state of enterprise for the time being. Nowhere is this so plain as in the United States, where productivity is a matter of great tides and great ebbs, hard to calculate in advance. In a market without "confidence," all business is more or less suspended, checking production, throwing labour idle. Restore "confidence" somehow, and business credit does the work of capital, thus in effect indefinitely enlarging the power of the factor. In taxing capital, then, you are taxing values, not a "sum of commodities." Where you might mismanage would

be in the use to which you directed the share of credits, or command of wealth, so taken. You might employ it in setting labour to certain tasks. But in this case the proposal is that, leaving credits to be formed from values by all the energies of the nation, you simply release regularly certain credits from their form of State debt and compel them to seek another remunerative form. The chances are that they will seek it in fresh production.

And the instrument of taxation, by which the transition is achieved, is peculiarly the instrument of the State. State issue of paper money is one transaction, by which the State nets the sum of the issue. State banking is an enterprise still to be tried, involving uncertainties. State industries in peace are also problematical, though seen to be expedient if they can be profitably conducted. But in applying taxation, under due limitations, to capital, the State is merely exercising in a new direction one of its special functions; and in paying off debt with the proceeds it will be turning nationally negative capital into positive and productive, while at the same time potentially lessening the amount of idle life.

Postscript

Since this lecture was delivered and revised, Mr. Bonar Law has made an important

pronouncement on the question of "Conscription of Capital" in reply to a deputation of Labour politicians. He has wisely declared against resort to any levy on capital during the war; but implies that it will probably be necessary afterwards. From his guarded words it may be inferred that he contemplates the possibility of a considerable levy, but commits himself to no scale or scheme. It is to be hoped that those who advocate a large levy, or a succession of large levies, will carefully formulate their scheme or schemes, and vigilantly calculate the probable economic sequences.

VI

THE ECONOMICS OF COMMERCE

THE fundamental political problem as to international commerce may be said to be almost as old as commerce itself. Exchange between separate communities or groups is really a new beginning of civilisation after the attainment of tribal institutions. It may, as Deniker suggests,[1] have originated in the exchanging of presents. But it soon becomes a barter; and, as Emerson put it, and others have in effect put it before and since, "the greatest meliorator of the world is selfish, huckstering trade."[2] Where the tribes eye each other as natural enemies, to be killed and eaten at opportunity, the instinct of barter is the one enduring motive to peaceful contact. It operates before the stage of special tribal industries, sometimes assigned as

[1] *The Races of Man*, Eng. tr., 1900, p. 270. Cp. Letourneau, *L'Évolution du Commerce*, 1897, p. 6. "Des cadeaux, mais, point d'échanges," says Letourneau of the Fuegians.

[2] *Society and Solitude: Works and Days.* There are in Emerson a number of similar (and some contrary) passages on trade. The most notable is that in the discourse entitled *The Young American*, in which he extols trade as the force or factor which superseded feudalism, but will itself in turn pass away, superseded by something higher.

its first basis: among the Australian aborigines we see it taking place in respect of natural local products. So strong is the proclivity that enemy tribes who taboo all other intercourse have a way of exchanging products without seeing each other.[1] But even as all barter is a seeking for advantage on both sides, the individual process of conveying reciprocal advantage is for ever faced and curbed by the animosities and interests of the rest of the groups between whose members trade takes place.

The ruler or the Government at a very early stage seeks his or its gain from the transaction; sections of the states or communities concerned similarly seek what they call protection as against the "foreign" trader who competes with them, even as they seek to shield themselves against competition at home; and as every individual or group is primarily seeking his or its own gain, political adjustments come to be made in the interest, real or supposed, of those groups or sections which have the predominating political influence. They claim, of course, that they are really seeking the interests of the community, or the majority; and they may really believe what they say. But as all the warring interests

[1] Cp. Deniker, as cited; Otis Mason, *Origins of Invention*, 1895, p. 364; im Thurn, as there cited; Carl Lumholtz, *Among Cannibals*, 1889, p. 106 (which checks the negative conclusion of Letourneau); Codrington, *The Melanesians*, 1891, p. 298.

make the same claim, it is only by means of a comprehensive economic and political science that we can get at the truth. And, as you know, the fiscal truth is about as much in dispute to-day as ever, among those actually concerned in trade. Still, though every strong economic interest can always get economists to put its case, there is happily a large measure of consensus among experts on the purely economic issues; though the experts may continue to differ on the contingent political issues.

At an early stage in our own written history we can see the main lines of conflict defining themselves. The King, representing the State, wants revenue; and he seeks it, among other ways, as barbaric chiefs had sought it long before him, by levying tolls on the foreign traders who desire to trade in his territory. These tolls are frankly termed "customs": they originated in barbaric custom. Within the boundary of the king's peace, the territorial lords keep what they can of their ancestors' power of toll-taking on trade by charging tolls on the home produce that comes to fixed markets on their domains. Kings and lords alike are taxing trade; and it is fairly obvious that in effect they are just taxing consumers. The competition of sellers in the taxed markets is neither more nor less; or, if it is affected at all, it will tend to be rather less. The buyer, then, really pays the tolls.

Soon we find that the wealthier buyers, including the very class who exact market tolls on home produce, recognise the burden laid on *them* by imposts on foreign traders or import duties on foreign goods; and at the time of Magna Carta the nobles of England, in their own private interest as buyers of foreign wines and goods, are all for Free Trade with foreign countries.[1] Accordingly, Magna Carta provides[2] that foreigners shall be allowed to trade freely in England, paying only the established tolls and customs—a veto on the irregular tolls charged by King John as by other kings before him. It is even provided that in time of war enemy traders shall not be made to suffer unless English traders suffer in the enemy country. But this was far from satisfying the home trader,[3] who treated even his countrymen of other towns as aliens, and particularly desired to limit foreign competition, even in respect of the goods that could be produced only by the foreigner. The home trader wanted his middleman profit; and he further reasoned, in his own way, as did the deputation of orange-growers who appealed to President McKinley for an import duty on bananas. "We don't grow bananas," said President McKinley: "why do you want a tariff against them?" "We feel," replied the spokes-

[1] W. S. McKechnie, *Magna Carta*, 1905, p. 469.
[2] Ch. XLI. [3] McKechnie, p. 140.

man of the deputation, "that a man who is full of bananas hasn't any room left for oranges." All the while, too, foreign traders in their own countries took the same line towards English traders. The result was that the liberalism of Magna Carta was only intermittently operative, under certain kings, and exclusiveness was more nearly the rule.[1]

Thus, between simple jealousy of the individual foreign trader, seen to be making high profits while the home trader made lower, and resentment of the competition of foreign goods with either similar or different home products, our ancestors had "raging, tearing propagandas" for tariff reform before democracy and newspapers were dreamt of; and during centuries, every sectional interest in turn made its pull with some degree of success. Sometimes the landowning class carried the day against the home traders. Anon the trading class, who from the first sided with the Crown in the matter of special imposts on foreign traders, appealed successfully to jealousy of the foreigner; and at times it harped in particular on the unemployment alleged to be caused at home by the import of foreign commodities. When wool was the staple export, the king could with general consent levy export duties on it, since he thereby

[1] Cp. Sir W. J. Ashley, *Introd. to Eng. Econ. Hist.*, 1888, Pt. I, pp. 105–9; Pt. II (ed. 1906), pp. 12–20.

seemed to be "making the foreigner pay" more for English wool which the foreigner needed for his manufactures. Whether the foreigner did not simply charge the more for the woollen cloths or other goods which he sent in return; or whether the English exporter had not to pay the export duty when the Flemish weavers were importing wool largely from Spain, were questions not generally asked—save by those most immediately concerned.

When England became a woollen-manufacturing country on a considerable scale, the plot thickened. The producer of wool wanted the foreign market; the home manufacturer wanted the wool kept at home, because he wanted it kept cheap. Of course he pleaded the interest of the community, patriotically subordinating to that the special interest of the wool producers. In the same patriotic spirit, the shipowner demanded that foreign goods should be brought in English ships, thereby strengthening the naval power of the country. Every plan, broadly speaking, was tried in turn; every plan in course of time was seen and pronounced by some, including powerful statesmen, to be a failure, causing loss and not gain; and every abandoned plan, none the less, was tried again by another generation. Always the battle was one of interests, claiming to be disinterested. Science there was none: or, let us say, science

was but beginning to be made possible, as astronomy was made possible by ages of astrology. Very slowly is truth reached by way of self-seeking; but that is how the search generally begins.

Here and there we catch wiser voices in the babel; but it is with Dudley North, in the reign of William and Mary, that we get the first clear pronouncement of the truth that nations in trade relate to each other just as do individuals within a nation; and that "all favour to one trade or interest is an abuse, and cuts so much of profit from the public."[1] At that period the predominant economic creed, among men of business as among the mass of the people, was that abundance of gold and silver constituted national wealth, even as it apparently constituted wealth for individuals. Even Locke, struggling to reach scientific views of money, could write that "riches do not consist in having more gold and silver, but in having more in proportion than the rest of the world, or than our neighbours, whereby we are enabled to procure to ourselves a greater plenty of the conveniences of life than comes within the reach of neighbouring kingdoms and States."[2] And this error he could commit while recognising that the countries which actually

[1] Cited by McCulloch, *Principles of Pol. Econ.*, 2nd ed., 1830, pp. 43–4.

[2] *Consequences of the Lowering of Interest*, etc., 1691, Murray's rep., p. 226.

produced the gold and silver were generally poor, and that Spain, which had for centuries commanded the output of the chief mines of the world, was poorer than France and England, which got their bullion by trade—thus proving that produce buys bullion rather than bullion produce.

Dudley North was not thus misled by his own analogy. "A people," he wrote, "cannot want money to serve the ordinary dealing, and more than enough they will not have."[1] But, though he coached Locke on some points, North had small influence in his day; his treatise disappeared; and the nation continued to proceed on the conviction that if it received more produce than it exported, it was losing; torturing its foreign trade in the hope of getting its profit in the shape of bullion. Broadly speaking, nearly every nation which in that age was enriched by foreign trade was enriched in its own despite; and in respect of her Asiatic trade even Holland, by far the most enlightened of trading States in the seventeenth and eighteenth centuries, aimed rather at money than at produce.

As regarded her general trade, Holland was led to wise courses by her special conditions. Her one relatively great national source of wealth was fishing; the sea-craft thus developed enabled

[1] Developed by Ricardo, *High Price of Bullion*: Works, p. 265 *seq.*

her to add a great carrying trade by sea to the land transit trade which she evolved in virtue of her position as a middleman State; and having practically no manufactures to protect she practised something like Free Trade, charging the lowest harbour dues and customs in Europe. When, in the early part of the eighteenth century, she had 10,000 sail, manned by 168,000 men, the British mercantile marine carried only 27,000 men. But not even that object lesson could be learned by the rival nations. Adam Smith's *Wealth of Nations* appeared in 1776; and though his doctrines had begun to be acted on by English statesmen within fifty years, seventy were to elapse before England got rid of her Corn Laws.

The lesson of Free Trade was finally learned by English traders only through their own and the nation's sufferings from tariffs, commented for them by economists, and in particular by one man of political genius. As early as 1820, the merchants of London, now enlightened by Ricardo as well as by Adam Smith, presented to Parliament a petition, drafted by Thomas Tooke, in which they clearly and forcibly stated the evils of the protective system, both as to food and manufactures; and the Edinburgh and Manchester Chambers of Commerce followed suit. But only after another quarter of a century, marked by inordinate misery from scarcity and dearness of food and chronic unemployment on

an immense scale, was the decisive step taken by Peel in 1846; and even then it was made possible only by imminent famine and the fears of social catastrophe. Mere economic science, mere reasoning, even when propounded by a Cobden with power enough to convince a Peel, would not have attained the end without that menace.

The traders themselves were in the mass convinced only by their own hardships from protection; and ever since, in any period in which British trade seems to any of its sections to be relatively flagging, and that of any protectionist country seems to be gaining ground, numbers of them, as innocent of economic knowledge as their ancestors of the eighteenth century, agitate for a return, in their own apparent sectional interest, to a system of protective duties against foreign imports. It is the opinion of leading tariffists in our own day that if Mr. Chamberlain, instead of proposing on imperialistic grounds a system of colonial preferences which involved import duties on food, had crusaded solely for import duties on foreign manufactures, he or his adherents would have carried their point within ten years at the outside.

However that may be, the second year of the World War has seen, in despite of the political truce, a violent revival of the propaganda for a protective tariff; and the nation's righteous

wrath against the arch-enemy is being continuously exploited towards a tariff system professedly aiming primarily at prevention of trade with Germany, but confessedly bound to operate in other directions also. On the decision made in that regard may turn the nation's commercial and political destiny. A hasty decision is being clamoured for by men demonstrably incapable of understanding the economic issues they raise. The nescience which oppressed our trade in the ages of ignorance hopes to recover the seat of power in a time of passion. Is there enough of acquired knowledge and conserved sanity to save us?

Before we discuss our immediate problem, let us briefly note the motives and factors which in modern times have served to sustain and even to re-introduce protective systems in other countries. First comes the case of the United States. Immediately on the conclusion of peace after the Anglo-American War of 1812, English traders, pinched by the long Napoleonic wars and hungry for a re-opening market, flooded the United States with what we to-day term dumped goods. (For dumping is a British invention; and used to be described by Continental economists as "the British method.") The same thing had happened in 1783. The underselling, indeed, was compulsory to an extent far in excess of the design, for the competing exporters so overdid

their competition that they had often to sell at a loss. The natural result in the States was a common conviction, or at least an argument put with much semblance of conviction, that the old enemy was aiming, by deliberate underselling, at the extinction of American manufactures, and could, as a matter of fact, in this way destroy American industries which were essential to national defence in the event of another war. And seeing that all the while the British Government maintained its tariffs against American produce, the rise of an American tariff was a matter of course.[1] Tariffs evoke and provoke tariffs; and after raising the devil in America our fathers fostered him by ill deeds till he could not be laid.

Still, even in America the ultimate British resort to Free Trade had a conciliatory influence; and in the 'fifties there was a visible reaction in the States in the same direction. Had not the Civil War supervened, America might have gone as far in Free Trade as we. But the great burden of debt left by that war gave an irresistible impulse to a tariff on all imports for revenue's sake; and the vested trade interests thus built up have never since been overthrown. *Absit omen.*

In Germany the process was similar. A Free Trade movement followed there upon the heels

[1] See *Trade and Tariffs*, p. 100.

of our success; and though the convulsions of 1848 arrested progress, in the 'sixties Bismarck was working out a Free Trade policy in Prussia. Even after the Franco-German war, that policy was continued in Prussia; and in 1875 it was enacted that the import duties on iron, already reduced in 1873, should altogether cease in 1877. But now came the reversal, on grounds not economic but political; not commercial but militarist. Bismarck, as Imperial Chancellor, demanded an increased revenue to support armaments, in the face of the unexpectedly vigorous revival of France. The contributory German States refused to increase their matricular contributions; and Bismarck, who had no principle higher than the will to national power, at once began planning for a tariff. The advent of cheap American wheat, on the one hand, and a heavy fall in manufacturers' prices on the other, gave him his opportunity. To the landlords he offered food duties against American produce; to the manufacturers, a tariff against competitive imports; and, getting the support of both, he set up the tariff, which held down to 1914.

In France, finally, the causation was equally independent of economic wisdom. French agriculture being nearly adequate to the nation's needs, there was no such pressure of famine prices as finally coerced Peel in 1846; and

French manufacturers had never got far enough ahead to face loss of protection as did those of England. Yet even there, Cobden's Treaty of Commerce of 1860 was working prosperously; and it was the new burden of debt from the Prussian war of 1870 that drove the French Republic, like that of the United States, to a system of high tariffs for revenue. Manufactures being thus protected, the agriculturists had a double claim to protection against American wheat, and the burden was thus freshly riveted. And once a nation sets up a systematic tariff, an era has to pass before it can be shaken off.

Everywhere, then, we see militarism and the pressure of war burdens reinstating protectionism where it had been discredited by economic science. Again I say, *absit omen.*

But, of course, the protectionists everywhere, our own included, claim to have economic reasons for their system, denying its evils, and professing to find evils in the system of Free Trade. We had a ten years' run of their propaganda from 1903 to 1913. We all remember the internecine articles of the creed. The foreigner was getting rich at our expense. He made us pay for his army and navy by the duties he placed upon our goods. At the same time he was keeping us out of his markets, thus contriving to make us pay without taking our goods. We ought, therefore, to make him pay

by taxing the goods he sent to us, and at the same time we ought to keep out those same goods altogether, so as to afford constant employment to our own workers. By a tariff of 10 per cent. upon imports of manufactures reduced to nothing, we were to raise some £14,000,000 a year, which was to cancel the £14,000,000 we should be paying on imported foods, and was at the same time to meet the £14,000,000 required for Old Age Pensions.

By much hard work on the part of Free-Traders, these unplausible pleas were prevented from gaining possession of the national intelligence. When trade happened to be bad, as notably in 1908–9, as a result of an immense industrial collapse in the heavily-tariffed United States, the task was hard. Vast unemployment in the States did not dissuade tariffists from propounding tariffs as a cure for a much less unemployment at home; and a sick proletariate is in large part ready for strange drugs. When thousands of ostensibly educated traders are incapable of mastering even the elements of the science of international exchanges, how shall unemployed workers be relied on to analyse the nonsense of the empirics? Yet we weathered that storm, too; and we began 1914 with trade at the highest levels it had ever reached. Less than half the expansion that had actually occurred after 1903, had it taken place under a

tariff system, would have been claimed by tariffists as certifying their theory beyond the possibility of challenge. And since 1914 we have piled up and borne a financial burden much greater than even that of tariffed Germany, (financing tariffed France, tariffed Italy, tariffed Russia, tariffed Canada, and tariffed Australia), with a population only two-thirds of that of Germany. Free Trade alone has made the feat possible. And they tell us, as before, that we must abandon Free Trade.

One economic truth, meantime, has been established for all who can see economic facts. International trade, based on manufactures, is visibly the supreme means of international enrichment.[1] Adam Smith himself could not have denied it had he been alive to-day. He has to answer for a mystification, arising partly out of his hankerings after the doctrine of the French Physiocrats as to the special "productiveness" of agriculture, which, he said, was aided by the forces of Nature, whereas manufactures, he fondly fancied, were not. Further, he was moved to his mystification by the perpetual outcry of the protectionists for the artificial fostering of a foreign trade that needed only to be let alone.

[1] "During the present [nineteenth] century, one of the principal causes of the great increase of wealth in the United Kingdom has been the development of foreign trade."—Professor J. Shield Nicholson, *Principles of Pol. Econ.*, 1893, I, 200.

In this connection he worked out a theorem to the effect that home trade is nationally the most profitable of all; that foreign consumption trade is less profitable; and that a carrying trade is the least profitable of all. Yet in the very section in which he puts this thesis he avows that Holland, with the largest carrying trade in Europe, is "in proportion to the extent of the land and the number of its inhabitants, by far the richest country in Europe"[1]—which puts his theorem in the waste-paper basket.

It is idle to argue, as he goes on to do, that Dutch wealth is not an effect but a cause of the Dutch carrying trade. On this view, national wealth drives nations to the trade which is least helpful to wealth. But what caused the Dutch wealth to begin with? Clearly not the Dutch home trade. Holland, long before Smith's day, did not grow corn enough to feed her people, or timber enough to build her ships. Her great natural industry was fishing. Supposing *that* to be paradoxically reckoned produce of the *land*, for argument's sake, we may indeed reason that, shipping being developed by fishing, the carrying trade is a result of earned wealth. But Dutch wealth grew more and more with the growth of the carrying trade, as against a slower growth of the wealth of other countries.

Smith's confusion came of his good old myopic

[1] Bk. II, Ch. V.

way of seeing one side of a problem at a time, without mentally seeing all together. He was right in objecting to the proposed State measures for furthering foreign trade, for the measures were bad; but he gave wrong reasons for the objection. If he had at this point taken a comprehensive view of wealth-getting he would have realised that ultimately, in the broadest aspect, it is a process of getting return for *services* or quasi-services. The landowner, being in possession of the land, gets rent for letting it be used. The service may be called blackmail or extortion, but legally it remains a service. The farmer and the manufacturer alike get their varying return for the services of producing food, clothing, etc.; and so through all society. The lender of capital at interest is socially in the same case, whatever we may think of the ethics of it.

When we come to the commonest services, we find the remuneration low, because of the abundance of the supply. But some purely personal services are rewarded very highly indeed. Smith himself pointed to the opera-dancer or singer, to which instance we may add those of the great medical specialist, the successful barrister, and the expert in general. Now, these get their large share of command of wealth without directly producing any material wealth; and what is done in the individual relation may be done in the international. Holland had both the largest

and the best carrying service; and was exactly in the position of the prosperous farmer or large manufacturer as regards general certainty of reward. She was collectively much richer, in terms of real wealth as well as of command of wealth, than corn-producing Poland, or wool-producing and gold-receiving Spain. Bacon put the case a century and a half before Smith: "It cometh many times to pass that . . . the work and carriage is more than the material; as is notably seen in the Low-Countrymen, who have the best mines above ground in the world." [1]

I discuss Smith in this connection because his argument is either explicitly or implicitly founded on to this day by protectionists. You have all heard of his formula of the "two capitals." A home manufacturer, selling his goods at home, replaces his own capital and also that of the merchant who buys his produce. (The "two" is, of course, a mere abstraction: there may be twenty or two hundred capitals involved. But let us grant him the abstraction and follow the argument.) If, he contends, the home manufacturer sends his goods to Portugal instead of to a part of his own country, he replaces only his own capital in this country, a Portuguese capital being substituted for that formerly employed in dealing with his produce at home.

[1] Essay *Of Seditions and Troubles*.

Here we have the whole protectionist circle in a nutshell.

The curve begins at once, by the evasion of the fact that to balance the exported goods other goods must come from Portugal, the handling of which here, in the terms of the case, will employ a second capital here. Further, the withholding of the manufacturer's home supply will leave in operation the old demand for equivalent goods at home; and that demand will employ, in the terms of the case, a third capital. The only answer open for Smith is to say that the required third capital does not exist, and cannot be created when required; and he does frequently argue that at any given moment there is only a certain amount of capital in existence, and that therefore only a certain amount of production is possible. And as McCulloch frequently used the same argument, McCulloch was not entitled to reply, as he did, that the demand for the withheld home goods would elicit the required capital.

But in terms even of Smith's own complete account of the trade process, as distinguished from his definition of capital, we realise that capital is not a fixed amount of things *plus* money for two days together. As he avows, both agriculture and manufactures are normally tending to increase their output in excess of the existing demand. Then the excess is, on his own premises, new capital. Further, saved

credit may one day lie idle, and next day be used. Smith must have known that in Scotland in his own day credit capital was supplied by putting cash at the disposal of a farmer or trader on personal security; and as the same cash could be used many times over, the supply of effectual credit capital was elastic. All men of business know further that capital, broadly speaking, is never lacking for the production of demanded goods where raw material and labour are present.

And the whole mystification is finally disposed of when Smith avows that the goods exported are really a *surplus* over the production for home demand. Normally, he avows, the home production of corn, woollens and hardware was greater than the home demand; and the excess had to go abroad or waste. Why, then, did he write as if the exporter was withholding from home consumption goods for which there was a home demand? By way of rebutting the unsound demand for an artificial fostering of foreign trade—a demand to which the true answer would have been that foreign trade and carrying trade alike were hampered both by protective duties and by those Navigation Laws which Smith, inheriting an old fallacy, felt bound to defend as a means of national strength.[1] To repel a bad argument for the artificial fostering

[1] The question is discussed at length in the author's Cobden Club pamphlet, *Shipping after the War*, 1916.

of foreign trade, he framed a thoroughly bad argument against foreign trade as such.

And it is doubly bad because, as he elsewhere insists, it is in the nature of foreign trade to secure certain produce at a lower outlay of capital and labour than would be required to raise it at home. *This* part of Smith's case the tariffists never mention. Their irrational assumption that the aim of industry is not produce but employment commits them to what he regarded as the supreme absurdity of expending on a given form of production many times more labour and outlay than would purchase the required produce from abroad with goods produced at home at a relative advantage.

There, in short, lies the fundamental cause and justification of international trade. It extends human advantage beyond the nation just as home trade extends it beyond the parish, the town, the county. Clearly, home trade is to be zealously cultivated; and it always is, up to the existing economic possibilities. Foreign trade is a second step, forced by circumstances. If home trade meant the possible maximum of production, it should be secured within the township, or at least within the county. It exceeds these bounds precisely because the county cannot yield all the possible supply or all the possible demand as regards any one form of production. For the very same reason, trade

must expand beyond the limit of the nation, unless you are to put the most rigid limits on population, and, at the same time, on consumption, as regards variety. If you would have a self-sufficing State—the State dreamt of by Fichte—it must consume all it produces, or waste a surplus; and it can consume only what it produces. So you cannot have new citizens *ad libitum* to produce new boots and coats and ships and machines as well as new food. If land were unlimited, you could turn all surplus hands to that, limiting other forms of labour to requirement. But with limited land you will, in a very few years, under any system, run up against the very fatality of unemployment which is the tariffist's starting-point, and his last ditch.

In times of trade depression, he argues as if depression could not only be cured, but in future averted, by preventing or taxing importation. Sometimes he proposes only to prevent importation of manufactures, sometimes also that of foods, and of such raw materials as we could ourselves produce. All the while, the fact faces him that in the richest tariffed countries, notably the United States, there are great flood-tides of unemployment. It is the special scandal of the tariffist movement in this country that it denies or evades or seeks to suppress that fact.

Give him his tariff system and you will simply multiply unemployment, given no change in

population. Either you keep out foreign goods or you do not. In one breath he talks of keeping them out so as to provide employment at home; in the next he talks of raising a revenue by taxing them, which means letting them in. Let us suppose that all are kept out which could be produced at home. Then you must instantly readjust the exporting trades which formerly paid with their produce for the imports. You cannot go on building ships and making machines and textiles for the foreigner if you are not to buy his goods with them. That hallucination of selling without buying roots in the bullion delusion—the notion that bullion is national wealth. Stop your unsaleable exports, and you must turn all hands to producing only for the home demand. Your shipbuilding industry will at once shrink to a fraction of its former size; your exports of cottons and woollens will shrink in a similar proportion, as will your engineering work.

The tariffist replies, "Oh, we will take our imports in the form of raw material." What raw material? If your imported raw material is always to equal in value your manufactured exports, you are getting no foreign profit for your labour on that side. Either you export just what suffices to pay for your imported material—which means a great contraction of your manufactures—or you continue to export more. How is the

profit to come? If in cereals, you will be told you are injuring home agriculture. Stop that also, and you disemploy not only the bulk of your shipbuilders, sailors, dockers, exporters, and myriads of transport workers, coal miners, textile-workers, engineers, but the multitude who do the clerical work of those trades. You cannot possibly employ your present population at a profit on production for the home market, any more than you can employ the population of the Midlands or Yorkshire on work for the Midlands or Yorkshire. The unemployment problem roots in the population problem, under which head we must finally consider it. Unemployment was upon us before there could be any pretence of its being caused, save occasionally in a particular small industry, by foreign imports. Foreign trade greatly expanded the possibilities of population and employment alike. Cut down your imports and you cut down your exports, retreating at once to economic limits within which your expanded population could not have come into existence, and cannot now exist.

The tariffist, once more, really wants to sell without buying, to export *ad libitum* without taking an equivalent import in things. And this conception, I repeat, comes of the bullion delusion—the notion that the balance ought to, and can, come in cash. Long ago, a Russian

economist, Tchernychewsky, reproached Mill for arguing against the bullion delusion, which, he declared, was no longer entertained by anybody.[1] He was badly mistaken. The bullion delusion subsists to this day in England; and it will be odd if it does not subsist in Russia. Many tariffists repudiate it; but popular tariffism constantly trades upon it. Newspaper articles and circulars have been sent round by the thousand in which it is taken as a self-evident fact that if in 1913 Germany exported £80,000,000 worth of goods to this country and imported from it only £40,000,000, we *lost* £40,000,000 by the transaction. By nine out of ten of those who assent to it, that proposition is taken as putting an irrefutable truth, the assumption being that the balance of £40,000,000 must be, and is, paid in cash.

Some, it is true, try to put some other conception between those of "loss" and payment in cash, by way of momentary homage to the fact that the so-called "adverse trade balance" never *is* paid in cash. Bullion movements are all recorded, like the movements of goods; and decade by decade, whatever may be the small annual fluctuations, our stock of bullion increases. The modern bullionist, therefore, has to find some other explanation. Invariably it is a new delusion. Let us take the most recent

[1] *L'Économie Politique jugée par la science*, 1874, I.

instance, the book *Victory or Free Trade?* "By a British Resident [*i. e.* now, ex-resident] in Germany," recently issued from the *National Review* office, with a blusterous preface by Mr. Maxse. That book, chiming so far with the other tariffist propaganda, states [1] that in the year before the war Germany sold us about £80,000,000 worth of goods, and we sold Germany £40,000,000 worth. "So Germany *had the advantage of* £40,000,000 *on the transaction*, which she could draw from us in the form that suited her best, or keep in the form of credit in Britain to use in her manipulations against us." Observe that for many years past there had been some such excesses on the trade between us and Germany, so that according to this writer Germany had a standing profit which she *never* drew.

But, observe further, the United States, in terms of this case, had a far larger "advantage," selling us about £120,000,000 worth of goods, and taking only about £30,000,000 worth in return. And, finally, observe that in terms of this theory the whole world outside Britain had a colossal annual advantage over us, since we imported on our whole turnover about £150,000,000 more than we exported! And all the world was thus accumulating a colossal power to draw from us thousands of millions—for the balance has been

[1] Work cited, p. 66.

so during scores of years—"in the form that suited her best"—or, as our anonymous sage suggests as an alternative, *had been* using it to buy up British property. Long ago, in fact, most British property must have been owned by foreigners.

And while this propaganda incites fear of any deposit of foreign capital among us, the main tariffist movement, as represented by Mr. Bonar Law, expressly urges tariffism on the score that it will *cause* foreign capital to be invested in this country. That thesis is visionary enough; but what of the thesis that foreign capital is buying us up—or has long ago bought us up?

We are dealing once more with the economic Mad Hatter—or, let us say, the economic irrationalist. In that interesting work, *The Maniac*, I read that, "Lunatics do not 'lose their reason,' they merely reason from false premises." Here the lunatic has an advantage over the bullionist tariffist, who merely reasons irrationally from any premises. The "Resident's" prescription is that we should stop trading with Germany. The real conclusion from his argument is that we should either stop trading with all the world or shut off at least the United States, France, Russia, Australia, Canada, Holland, Norway, the Argentine Republic, Belgium, Denmark, Sweden, Switzerland, Spain, Portugal, Roumania, Brazil, Egypt, Peru, and several other countries;

which all send us more than they take from us; and trade solely with Bulgaria, Turkey, China, Cuba, India, the Gold Coast, Italy, Japan, Java, Persia, Siam, and Uruguay, which usually take from us more goods than they send us.

Need I explain to any one but a tariffist that our total excess of imports is our profit, our interest on investments abroad, and our payment for freights and other services; and that where one country takes from us less than we take from her, the balance is made up either in these ways or by a contra-account, in which she buys from China or India or Japan or Turkey or elsewhere, against our credits in those countries? On the face of the case, it is we who reap the advantage in trade with Germany, getting in 1913 twice what we gave, and with the United States, getting three or four times what we gave. In reality much of the excess we received from those countries was return on our shipping and investments, while the remainder was balanced by produce of India and the East, to which we exported much more than we took directly back.

But of course this explanation and confrontation will not deter the tariffists from asserting that we lose by our trade with Germany, saying nothing of our trade with the United States, our own Dominions, France, and the rest of the world in general, where, in terms of tariffism, we lose far more heavily still. Hate,

they trust, will blind our people's eyes to the primary fraud of the statement. Or shall we conclude that they are utterly incompetent to realise the process of international trade? Either way, we must content ourselves with putting on record the economic facts in the light of which alone the problems of international trade after the war can be rationally considered.

The demand is that we shall either absolutely boycott the trade of Germany or place our trade with her under tariff restrictions which will greatly check it as compared with any other foreign trade we carry on. Let me say at once that *if* we could either boycott or penalise the trade of Germany in any way so as to depress her without injuring ourselves I should make no demur. I am no more concerned to help the Germans in trade than to help the Turks to recover Armenia or Palestine: for their guilt, there is no commercial penalty that I would not exact if I believed it exigible. But as hate blinded them it can blind us. We are concerned to know the possibilities.[1]

As to a boycott, observe, to begin with, that the tariffists who advocate a boycott have abandoned their pet principle of "making the foreigner pay." One school, it is true, is advocating the exaction from Germany of an indemnity

[1] The problem is discussed at greater length in the author's Cobden Club pamphlet, *Fiscal Policy after the War*, 1916.

to Britain as well as to Belgium and France—the indemnity to be in our case twenty thousand millions. It is not clear that even that school realises that it is asking for payment in goods. It is quite possible that they also believe that the proposed payment *can* be made in cash. But those who, perhaps realising that Germany could not possibly pay the war costs of the Allies, call simply for a boycott, are declaring that henceforth they will not ask the enemy foreigner to pay.

Now, if there is any foreigner you ought now to want to compel to pay—something—it is the German. But, according to the tariffist of yesterday, he was to be made to pay by letting in his goods under a tariff. By refusing to let them in at all the tariffist appears to confess that a tariff does not make the foreigner pay, after all. If, however, you apply and can really work a boycott, you are simply refusing to let Germany pay her due indemnity to Belgium. It *can* be completed only in goods; all Germany's bullion would not suffice; and any excess of bullion over Belgium's real trade needs would simply have to go elsewhere, to buy the things really required. If such excess of bullion should come our way, are we to refuse to deal? Is German gold, even, to be refused, while we affirm our determination to have German ships by way of a scrap of indemnity to ourselves?

But, next, as to the things which Germany ought to be compelled to hand over to Belgium—ores, coals, raw material, machinery, manufactures, tools, furniture, cloths, and so on. Supposing Belgium gets a temporary excess of any one kind of German product—and it will hardly be possible to calculate all the needs with exactitude—are we to refuse to receive any of such excess, however useful it might be to our trade, in exchange for goods of ours that Belgium might wish to buy? If we do, we shall have the edifying knowledge that she will certainly do her trade with some other country, possibly with Germany by a re-exchange.

And this brings us to the question: Whatever we may do, is it really believed here that our Allies—in particular Russia and Italy—will also refuse to trade with Germany in future? Mr. Maxse may believe it; no intelligent trader will. Russia and Germany are geographically foreordained to trade; and there is not the slightest likelihood that the United States, as represented by President Wilson, will refuse to resume trade with Germany after peace. If, then, Germany gets into these and all the neutral markets, it will matter little to her whether or not she gets into ours; while it will matter a great deal to us if she gets into those markets on better terms than we do. And that is what will certainly happen if our tariffists get their way to the

extent of imposing not merely a least-favoured nation tariff or a boycott on Germany, but a second heaviest tariff on neutrals, and a third heaviest on our Allies, with most-favoured-nation treatment only for our own Dominions. That way madness lies. If we put Russian, Roumanian, American and Argentine corn at a disadvantage as compared with Canadian, Indian, and Australian, we shall simply drive the first-named countries into the arms of Germany, which will promptly offer them *most*-favoured-nation treatment. And so with wool and wine and anything else. Our tariffism will be Germany's opportunity.

As for a tariff directed solely against Germany, it is really not worth while. It would impose on us a costly and precarious system of trade inquisition to discover whether goods coming from Switzerland, Holland, and Scandinavia are not really German in origin, or made in those countries by German capitalists. The natural and righteous resentment of our people will for many a day prevent much direct importation from Germany; though, for that matter, if we really needed German fertilisers for our soil, finding others less useful or more costly, we should not be very well advised to refuse to have them. As for roundabout trade, we should be under a constant liability of mystification, which a tariff would only intensify. And if you do levy a

tariff on imports that you really need, remember that it is you who pay the tax, and not the foreigner—as even the tariffists seem now to begin to see.

What the Germans are really afraid of, I believe, is not being driven out of our markets, especially when our tariffists are planning to drive them *into* all other markets, but the refusal to them of certain raw materials produced within the British Empire, notably wool, copper, and animal and vegetable fats. If Britain and the United States combined to refuse them wool and cotton, they might conceivably be badly inconvenienced. But there again, supposing the United States were willing to refuse to send cotton to Germany, we should have to reckon with all Europe, for traders in other countries would be eager to buy *for* Germans, and sell on to them. We should have to set up a perpetual quarrel-breeding "blockade" policy by way of preventing her from getting what she wanted through her neighbours.

In fine, the policy of deliberately depressing Germany after the war is not economics. It is just war continued—more waste, no gain, and after all no security. No gain, because if you could keep Germany poor you would be keeping her neutral customers also poor, and thus helping to keep yourselves poor. Poverty is an international thing, like trade. All the nations suffer from the war: all will suffer if there is

much commercial war afterwards. And continued universal distress is a very negative sort of security for peace, even if you wanted to buy security at that price. So that, whatever ethics may say, economics says that the game of economic revenge is not worth the candle. If you could take a moral and Christian satisfaction in keeping German women and children ill-fed in perpetuity in punishment for the crimes of German men, you would at least get no profit, commercial or political, out of the transaction. "C'est magnifique, mais ce n'est pas la guerre," said the Frenchman concerning the charge of the Light Brigade at Balaklava. "Ce n'est pas magnifique, et ce n'est pas l'économie politique," must be our comment on the dream of perpetual economic injury.

In point of fact, it is a typically *German* conception. It was a German economic historian, Friedrich List, who summed up the whole plundering and blundering process of English protectionism in the eighteenth century as one of careful and sagacious national egoism, to the end of building up a British manufacturing supremacy, after attaining which we could allow ourselves the luxury and the further profit of Free Trade.[1] That is one of the grossest delusions

[1] *The National System of Political Economy* (Eng. tr., 1904), Ch. IV. It is noteworthy, however, that in a later chapter (XXVII) List writes: "It is especially owing to her *civil, mental, and religious liberty,* to the nature and

of the pseudo-science which so largely passes current in Germany as historiography. There was simply no continuous national calculation in the business: it was a perpetual clash and counterplay of conflicting sectional egoisms, each trade's hand against the rest, with some measure of ultimate compromise against the wretched consumer, who paid for all the blunders alike. When our ancestors framed the Navigation Laws by way of injuring Dutch shipping, they simply hamstrung their own. The woollen trade sought to strangle the linen and the cotton trades; and the landlords did their best to starve all alike. Planning between times to best 'other nations, we only trammelled ourselves.

Incomparably our greatest progress, alike in power, in wealth, and in good life, has taken place *since* we adopted the ideal of Free Trade; and our nearest approach to trade supremacy, so-called, has been made in that period. The conception of a national policy of injury to other nations, a policy never really applied even when it was cherished, has long been obsolete in our politics. It belongs to the age of economic darkness. To accept it anew at the hands of the very enemy who has been inspired by it, and whom we are out to defeat, would truly be a

excellence of her *political institutions*, that the commercial policy of England has been enabled to make the most of the natural riches of the country, and fully to develop the productive powers of the nation" (Trans. cited, p. 258). That is to say, liberty is good in everything but trade.

reception of the seven devils in the swept and garnished house.

Postscript

Doubtless this view will elicit from the unreasoning tariffist the epithet "pro-German." The use of that epithet in anonymous and other communications to the Press and to individuals passes in many quarters for rebuttal of any appeal to commercial common sense in these matters. An avowedly aged gentleman used it lately on a postcard to me on which he remarked that I probably had shipping shares, whereas he, though once a Free Trader, was now enlightened in virtue of the fact that he had "hay to sell," which was "quite another matter." As it happens, I have no shipping or any other shares, and no interest in any commercial concern, and the one commodity I regularly sell—as apart from things literary—is just HAY! And I am totally unable to conceive how any fiscal policy in regard to Germany can increase my very small returns on that article.

But on the politico-ethical issue I desire the reader to note that the policy of "economic war after the war" is not here opposed, as by some, on grounds of charity or humanity towards Germany, but first and last on the ground that in the nature of things no such policy can be applied without as much injury to ourselves as can possibly be inflicted on the enemy.

VII

THE ECONOMICS OF POPULATION (I)

I SAID in the last lecture that trade troubles are as old as trade. The problem of population is older still, being, indeed, prior to humanity. At this point economics can posit the testimony of biology; but it is worth noting that economics first grasped and expounded the case for purposes of scientific generalisation, passing it on to the biologists. Historically, Darwinism derived from Malthusianism: it was Malthus who showed Darwin his problem,[1] as other men had shown him his. We, however, are not here further concerned with biology than as regards our human problem: the recessive problem of biology is another matter; and biological speculation as such, instead of helping us, only deflects our humanist inquiry.

Of course the perception that in Nature life runs immensely to waste is far older than Malthus, and in his youth it had been much dwelt on. To go no further back, Mary Wollstonecraft saw and formulated for herself the fact that Tennyson puts in his lines on Nature—

> "So careful of the type she seems,
> So careless of the single life."

[1] Darwin's *Autobiography* in *Life and Letters*, I, 88.

It was "an old reflection" of Mary Wollstonecraft's, she wrote in 1795, "that it is the preservation of the species, not of individuals, which appears to be the design of Deity throughout the whole of Nature." Writing before Darwin, Tennyson could tell the sterner truth established by science—

> "So careful of the type? but no.
> From scarpéd cliff and quarried stone
> She cries, 'A thousand types are gone:
> I care for nothing; all shall go.'"

Which is only a larger and more poetic way of putting the prose of Malthus—

"Throughout the animal and vegetable kingdom, Nature has scattered the seeds of life abroad with a most profuse and liberal hand, but has been comparatively sparing in the room and the nourishment necessary to rear them." [1]

Turning from the economics of Nature to the economics of man, we find him at a very early stage brutally stating his view of it by the simple process of infanticide. I once read a brilliant speculation, by the late Mr. Harry Quilter, to the effect that at some early stage of civilisation the human species was saved by cannibalism. I have never seen adequate anthropological evidence for that interesting hypothesis; but anthropology is heavily laden with the evidence of the one-time universality of

[1] *Essay on the Principle of Population*, Ch. I, p. 2.

infanticide.[1] Let it be realised at once that this is not a specialty of exceptionally brutal people even among savages. Eskimos, who practise infanticide, are fond of their children, and never eat till the little ones have had their share. Savages in general are kind to their children, never punishing them,[2] yet they mostly commit infanticide in time of scarcity. Professor Hobhouse notes concerning the Yahgans of Tierra del Fuego that "they hold human life sacred, with the exception, common among savages, that they allow infanticide. This, however, does not prevent the existence of strong affection for the children who are allowed to survive, or of a similar feeling on the part of the children towards the parents. Property is not held in common, but they are free in giving, and hold hospitality a duty. They are neither cruel nor malicious." [3] Of the still more primitive Veddahs of Ceylon, who show no trace of an idea of a creative God, and who also practise infanticide, it is told that "they respect the property even of strangers, and would not even take a few leaves from a banana tree without coming to ask leave." [4]

Such are the adjustments of population to

[1] See Letourneau, *Sociology*, Eng. tr., Ch. V.
[2] *Id.*, pp. 150–1.
[3] L. T. Hobhouse, *Morals in Evolution*, 1906, I, 47.
[4] *Id.*, p. 45.

subsistence in what we may term the static savage state, the state in which savage tribes struggle on within their limits of territory, having no notion of conquest. Under conditions which admit of expansion, we see wanderings of families and tribes, of hordes, with the accompaniments, often, of primitive conquest. What is called "prehistoric history" is substantially made up of such movements, mostly testifying to the pressure of population on the means of subsistence. At some stages the movements are immense, and they recur in age after age. Southern and northern Europe alike tell of successive invasions of whole regions by waves of different races; and after some regions have settled down into relatively stable civilisation they are faced alternately by the need to shed off colonies from their own aggregate and to resist the menace of new swarms treading on their own heels. Chronically there recur wars of conquest, economically motived,[1] solving the problem by massacre and rapine. And always, under the re-settlement, there recur the old conditions of distress, even the primitive death-rate having to be supplemented by the old

[1] "This [pressure of population] always remains a chief cause of international disputes and wars. These struggles *keep down the net growth of the world's population with the maximum of pain and misery.*"—Report on *The Declining Birth-Rate*, by the Commission of the National Council of Public Morals, 1916, p. 43.

device of infanticide, pitifully disguising itself as exposure of infants to chance.

Doubtless the practice, established by whole ages, was often maintained irrespectively of any inquiry as to whether it could be dispensed with. Men did it, as they performed their religious rites, because their fathers had done it before them. But then their fathers had seen and given reasons for doing it; and it is vain to dispute that the custom was kept in force by normal economic pressure. It figured as a quite "moral" procedure. In Terence's comedy, *The Self-Tormentor*, the personage who utters the famous saying, "I am a man: nothing that is human is alien to me," has previously insisted on exposing his own child to the chance of death or salvage. Exposure was licit for both Greeks and Romans, like the selling of a child by its father into slavery; and the ancient Germans (need I add, Anglo-Saxons, Kelts, and other "Aryans"?) lived under the same law. When the pagan Diocletian forbade the sale of children into slavery, the result was found to be an increase of infanticide; and in the seventh century, accordingly, the Christian Church is found recognising the right of sale, as the less of the two evils.[1] Economic pressure is recognised all round.

[1] Report on *The Declining Birth-Rate*, by the Commission of the National Council of Public Morals, 1916, p. 228.

Such pressure the Christian veto on infanticide (derived from the Judaic idea of fruitfulness, natural to an often decimated and dispersed people) could not alter. It simply left the murder check to be replaced by the other destructive and preventive checks, an enormous death-rate doing most of the work, and chronic war most of the rest. Sacerdotal celibacy counted for a little. But in Protestant England it was rather the coincidence of the new regime with an age of peace than any discontinuance of celibacy that forced the question of population on the minds of Tudor statesmen.[1] Bacon saw it from two sides, remarking in his essay, *Of Seditions and Troubles*, that "the matter of seditions is of two kinds, much poverty and much discontentment," and that "the rebellions of the belly are the worst." And thus he prescribes prevention:

"To which purpose serveth the opening and well-balancing of trade; the cherishing of manufactures; the banishing of idleness; the repressing of waste and excess by sumptuary laws; the improvement and husbanding of the soil; the

[1] "The English legislation, beginning in 1536 and leading up to 'the poor law of Elizabeth,' was but the English phase of a general European movement of reform. . . . Neither in its origin nor in its early stages was the poor law of England in any way peculiar to that country."—Professor Ashley, *Introd. to Eng. Econ. Hist. and Theory*, Pt. II, p. 350. Cobbett's theory of its causation through the suppression of the monasteries is thus a delusion.

regulating of prices of things vendible; the moderating of taxes and tributes, and the like. *Generally it is to be foreseen* [*i. e.* provided] *that the population of a kingdom* (*especially if it be not mown down by wars*) *do not exceed the stock of the kingdom which should maintain them.* Neither is the population to be reckoned only by number; for a smaller number that spend more and earn less do wear out an estate sooner than a greater number that live lower and gather more. Therefore the multiplying of nobility and other degrees of quality in an over-proportion to the common people doth speedily bring an estate to necessity; and so doth likewise an overgrown clergy; for they bring nothing to the stock; and in like manner when more are bred scholars than preferments can take off."

Let us not make light of Bacon because he prescribed sumptuary laws and the fixing of prices, of which expedients the latter has been revived by us in war time, and the former is translated into counsels of perfection, to say nothing of the raising of railway fares. The fact remains that he not only saw broadly the problem of population, but put in advance the ethical and political comment that the idle class is the least excusable in the matter of over-breeding. To that aspect of the matter he recurs in the essay, *Of the True Greatness of Kingdoms and Estates*—

"Let states that aim at greatness take heed how their nobility and gentlemen do multiply

too fast. For that maketh the common subject to be a peasant and base swain, driven out of heart, and in effect but the gentleman's labourer. Even as you may see in coppice woods: if you leave your staddles too thick, you shall never have clean underwood, but shrubs and bushes. So in countries, if the gentlemen be too many, the commons will be base."

He was thinking first and mainly of military strength, with his eye on the history of France; but the argument holds for a wider ideal. Bacon's radical wisdom was in advance of his time, which could but attempt, by a Poor Law, to deal with the mass of floating poverty that the closing of the monasteries merely threw into sharper relief. And the failure of that system, through centuries, to exclude unemployed poverty, is one of the testimonies to the law of population. The idea was that the idle poor should be set to work. And a century later you find the publicists complaining that the cure does not operate. How could it? In given economic circumstances, to set the idle poor to useful work, you had to take the work *from* the poor who were working—a mere shifting of the unemployment. And in the latter part of the eighteenth century, when new manufactures greatly widened the market for labour, the people simply populated up to the widened limit, still over-breeding.

It was upon this vicious circle that the young

curate, Thomas Robert Malthus, turned his critical eye when, in 1798, he found his kindly Jacobinical father, the executor of Rousseau and the disciple of Godwin, arguing on Godwin's lines for the indefinite perfectibility of man and society, given only a just distribution of property. The fact of the tendency of population to increase faster than subsistence had long before been recognised. Even if it had not been obtruded by both Plato and Aristotle, of whom the latter had pointed out that if there was to be equality with comfort in any State there must be rigorous limitation of numbers,[1] modern observation had abundantly dwelt on the main phenomena.[c] Petty, Child, Wallace, Hume, Smith, Franklin, Price, and Townsend had all posited the central fact that population was always being restrained by lack of food supply. The children that were born, they saw, could not all live, even as happened with the offspring of animals, the spawn of fish, and the seeds of plants. Wallace (1761), after outlining with ostensible sympathy an ideal system of community of goods, sadly avowed,

[1] *Politics*, Bk. II, Ch. VI; Bk. VII, Ch. XVI. Professor L. von Bortkievicz argues in a careful study ("War Aristoteles Malthusianer?" in *Zeitschrift für die gesamte Staatswissenschaft*, 1906, No. 26) that Aristotle's words show no recognition of the "law" of Malthus, but merely provide against an excess of citizens. But may we not infer that Aristotle and the ancients in general, by their practice, took the "law" for granted?

in the light of Aristotle, that increase of population would soon upset it.[1]

Nay, Condorcet, in his *Sketch of the Progress of the Human Species*, posthumously published in 1794, had put to himself the same problem as regards his vision of perfected humanity; and Godwin, who far outwent Condorcet in Utopianism, had in his *Political Justice* (1793) expressly glanced at Wallace's dilemma. While explicitly admitting that population was always tending to outgo subsistence,[2] he had assumed to dispose of the difficulty by a set of the most visionary "might-be's" ever thrown out in modern times by a serious writer. Godwin, in fact, thrust the problem on the notice of his readers, as did Condorcet, not leaving Malthus to frame it. What Malthus did was to take the generally recognised truth and erect it into a vital principle of social theory, correlating it at once with economics and with practical politics.

This he did at the very start, in the process of exposing the inanity of Godwin's suggestions as to how the tendency to over-population "might be" one day averted, through men becoming so intellectual as to give up marriage, or lengthening their lives indefinitely, and so on. There has been an infinity of attempted rebuttal of Malthus;

[1] *Various Prospects of Mankind, Nature, and Providence*, 1761, p. 107 *seq.*

[2] *Enquiry Concerning Political Justice*, Bk. VIII, Ch. III, 2nd ed., p. 460.

but nobody since Godwin has attempted to bolster up *his* case, at that point; though the notion of a spontaneous falling-off of births through intellectual development was put by Herbert Spencer in his thesis of "individuation," and was in effect adopted later by Henry George. It was because the mass of men, without heeding the visions of Godwin, were unwilling to admit the primary fact which even Godwin originally saw, that Malthus had to follow up his original destructive *Essay* with a constructive and expository doctrine which Professor Marshall has justly pronounced "one of the most crushing answers that patient and hard-working science has ever given to the reckless assertions of its adversaries." [1]

It may or may not have been a disadvantage to the cause of science that Malthus first put his case by way of a "conservative" refutation of revolutionary ideals. That circumstance, in effect, long made his doctrine figure as a resistance to political reform. But it also had the effect of at once giving his doctrine a wide vogue, and so forcing it on the notice of all economists. And while De Quincey met it with clever sophistry and McCulloch with the à priori optimism which, alone of Smith's errors, he uncritically adopted, Ricardo and the two Mills recognised it in its full force; and John Mill followed Ricardo in giving it a firm place in modern economics. Certainly

[1] *Economics of Industry*, 1879, p. 80.

it is much evaded, and its practical application has been made the subject of an infinity of scurrilous abuse on the one hand and culpable neglect on the other. But the economic truth is irrefutable.

To any one who may be attentively approaching this question for the first time, I would appeal to have a little patience before concluding that he is in scientific opposition to the scientific as distinguished from the ethical or social doctrine of Malthus. Nine-tenths of the opposition to the former is either sheer misconception or sheer irrelevance; and the two most widely current answers simply destroy each other. The latter-day critics who affirm that Malthus is "exploded" either do not understand the issue upon which they pronounce or are so misstating it as to burke the truth.

What *is* the fundamental doctrine of Malthus? That population *tends* to increase faster than subsistence—faster, that is, than subsistence can be *made to* increase at any given time. Observe, the word is *subsistence*, not wealth. To answer, as some do, that wealth, the aggregate of values, increases faster than net population, is to put a perfectly irrelevant proposition. It is utterly beside the case. For life are required food, raiment, shelter. The assertion that there is plenty of wealth for all if it were properly divided, we have already dealt with. It is not

true. There is not a sufficiency of houses, of clothes, of good food for all. Even when, at a given moment, there may be a surplus of food, its presence may fail to move the wheels of capital quickly enough to translate it into food for labour. The fact that a larger population may be better fed, housed, and clothed to-day than a smaller one generations ago is again no answer. The claim that an ideally good social system *might* make better use of the natural resources is also no answer. Malthus himself said those things. Such a form of answer ignores the vital fact in the case—the physical and moral sacrifice of life by which population has been kept within the slowly increasing limits of subsistence, in any given state of social development.

For what is the meaning of "*tends* to increase"? Some critics are so inept as to offer by way of rebuttal the very Malthusian premiss itself, that life *cannot* increase beyond the means of subsistence. Of course it cannot! The point is that it *presses upon* them, with the result that a multitude of people sustain poor life with subsistence inadequate to the maintenance of health and strength; that the birth-rate is to a large extent kept down by vice which spells degradation and moral misery; and that withal a vast multitude of infants born never reach maturity for lack of good life conditions.

To these facts, gross as mountains, open, palpable, what are the answers that pass current? Two: that over-population is a distant evil; and that over-population in any one country is properly to be relieved by emigration. The second answer, put by Carlyle and a hundred others, *grants the whole case.* If there is a necessity for a constant stream of emigration, the doctrine of Malthus is established, once for all;[1] and all the other pretences at answer are dismissed as irrelevance. But the irrelevance constantly goes on; and the emigration answer, all the while, is given without the least critical realisation of what it means, morally, politically, socially, ethically.

Let us dismiss the irrelevant dialectic first. The best of it was early supplied by De Quincey, who argued in his finest forensic style that since the means of subsistence are themselves forms of life, animal and vegetable, which Malthus declared to tend to indefinite multiplication, it cannot be true that human life *tends* to increase faster than subsistence—that is, faster than subsistence *tends* to increase. Malthus had

[1] In the Report of the Commission of the National Council of Public Morals on *The Declining Birth-Rate* (1916, p. 40) occurs the remark: "It cannot, in fact, be said that there exists any over-population in this country, in the sense that population has actually been growing faster than the available means of subsistence." This, with the context, simply ignores the whole phenomena of emigration.

chosen (unnecessarily) to put it that population tends to increase at a geometrical rate—that is, as 1, 2, 4, 8, 16, and so on, while food can be *made to* increase only in an arithmetical progression—as 1, 2, 3, 4, and so on. De Quincey answers that corn naturally multiplies ("*tends* to increase") at a far greater rate than that of simple doubling, and that the animals on which man feeds also *tend* to multiply far faster than he.

Need I point out that this is simply a trick of words? The "tendency" in the two cases is quite diversely conditioned. A stalk of corn may bear sixty-fold, and animals can breed much more rapidly than man. Yes, but they are far more decisively limited by their *means of subsistence;* their greater power of gross multiplication goes with a proportionally vaster destruction of life-germs; and when we come to reproducing them in quantities adequate to the sustenance of nations the very first condition of their subsistence—area—is deficient. It is a question of acreage. A field of corn may be made to yield annually a little more and a little more; but the cultivable area can be only slightly expanded as regards this country; and the whole world would not suffice even to plant the entire corn seeds yielded by one harvest. And so with animals and their pasture. *Their* increase is limited, even as is man's. And whereas man for himself often does not scruple

to breed under bad life conditions, man as owner of animals is scrupulously careful to breed *them* only under relatively good conditions, so as to get the utmost economic value. In a word, man's "tendency" emerges in misery, vice, infanticide, shame, which only reasoned action can check: the "tendency" in plants and animals is something we actually control, quite simply, and can exploit only within limits. The very fact that the cereals, the plants, the trees, bear all but a minute fraction of their seeds in vain, all the world over, and that the enormous reproductive power of all animals means, in the state of nature, an infinite struggle for existence, in which no large species can ever become nearly so numerous as those expressly bred and maintained by man for his own use, should have made an end of the whole vain debate the moment it was faced.

Man's power of developing his food supply simply *enhances* his possibilities of multiplication: it does not, and cannot, extend to making his food supply equate with his actual, still less with his potential, birth-rate. With all the outcry about land monopoly, the fact remains that men can, and do, generate children in excess of their power to provide for them. It is only through the deliberate restriction of the birth-rate that a general well-being can be secured to men in the mass. When Malthus opened up the subject,

the idea of such deliberate restriction was entirely new to the great body even of thinking men in England, though in certain modern countries, notably in Norway and Switzerland, deliberate State measures for the restriction of *marriage* had long been in operation, to say nothing of the doctrine of Aristotle as to the necessary restriction of the birth-rate in a well-ordered State. At the outset, writing as a young man keen on his argument, Malthus recognised no moral means of control of the instinct of reproduction. Thus he put a substantially pessimistic case. The only checks to over-population which he recognised—as apart ffom the special chronic checks of war and pestilence—were vice and misery.

By apparent implication, vice and misery were to be perpetual. Not that Malthus ever formulated a frankly pessimistic philosophy: on the contrary, in his first edition he elaborated a thesis of the providential character of the constitution of things, in which hardship was a perpetual incentive to effort. Here he anticipated at once the optimistic solution of McCulloch,[1] who urged that very view, and the sombre doctrine later evolved by Darwin, who, as fettered on the socio-political side as he was masterly on the biological, serenely argued that since man had evolved under the stress of the individual struggle

[1] *Principles*, 2nd ed., pp. 227–8.

for existence, that struggle must continue *on the old physical basis* if his evolution was to be continued. The essentially unscientific character of that conclusion we shall see when we come to consider practical solutions. For the present let us note that on Darwin's view men must *deliberately* practise imprudence because civilisation has arisen under conditions of *ignorant* imprudence.[1] But Malthus, like Ricardo, was

[1] Darwin's view, put forward by him as one reason for not giving evidence for the defence in the trial of Mr. Bradlaugh and Mrs. Besant for publishing the Knowlton pamphlet (Mrs. Besant's *Autobiographical Sketches*, 1885, p. 136), has been significantly pressed into the cause of irrationalism by Mr. Benjamin Kidd (*Social Evolution*, p. 37), who makes it part of his reasoning that men ought rationally to act irrationally, because to be rational is dangerous. It is, however, adopted by a truly scientific inquirer like Dr. Archdall Read, who contends that the cessation of "natural selection" in any species ends in degeneration—that is, that unless there is a struggle which kills off the weak or unfit, these will multiply. The exact thesis is that "regressive variations tend to be of greater magnitude than progressive variations" (*Principles of Heredity*, 1906, p. 67). It is hardly necessary, however, to point out that the Darwinian "struggle" is never realised in modern society, where economic advantage so largely determines society. On Darwin's own principle, biological degeneration must have set in as soon as law protected property, if not sooner. And the biologically "unfit" of later days happen to include Newton and Darwin. The whole problem is one on which mere biology is a quite blind guide to polity. See it discussed by Dr. Alvan A. Tenney, *Social Democracy and Population* (Columbia University *Studies*), 1906, Ch. IV. Even Huxley, in his Romanes Lecture on *Evolution and Ethics*, while rightly rejecting the preposterous counsel to

an essentially and deeply benevolent man, and he found his practical reconciliation with life not in a thesis that this is the best of possible worlds but in one to the effect that it could be made better.

The teleological theory disappeared from the later editions of his Essay. My friend, Dr. James Bonar, in his admirable book on *Malthus and His Work*, appears to regret that Malthus withdrew his philosophic case. But I fancy the withdrawal was logically necessary. Malthus evolved the doctrine that over-population could be averted by what he called moral restraint, by which he meant simply the general postponement of marriage by men until they had secured a competence, with, at the same time, a complete abstinence from vice. That solution, in turn, we shall see to be profoundly wrong when we come to consider it. But, right or wrong, it cut the ground from under the thesis about the providential beneficence of the law of population. If the moral restraint specified *could* be brought into effective operation, it would make an end of the beneficent impulse to effort supplied by the tendency to over-population. You cannot have it both ways. It might be argued, indeed, that the desire to be able ultimately to marry

"imitate the cosmic process," put a no less unscientific formula when he pronounced for "combating" it. All action, reasoned or instinctive, is alike *part of* the cosmic process.

and have a family would still be an incitement to general effort; but Malthus was prudent in abstaining from that new gambit. Obviously, if men consented thus to suppress the sex impulse through the greater part of their lives, they might renounce it altogether.

What is quite incontrovertible, thus far, is the primary "law" of population, so-called: the proposition, that is to say, that *hitherto* population has normally tended to outrun subsistence, the tendency being checked only by misery, vice, infanticide, war, famine, and pestilence. If it be demurred that a record of past experience does not amount to a "law," I need but remind the objector of the definition given in my opening lecture. There is no other ground for affirming any "law" in nature. But in regard to social and economic phenomena as distinguished from those of extra-human nature, we have to note that the *knowledge* of a sequence in the past may constitute a motive to such change of action as will alter the balance of the data. Let me repeat a simple illustration. It is certainly a "law" that certain physical conditions promote disease. Nothing can alter that primary fact. If you decide and can manage to avoid or to eliminate from human life in general the conditions in question, you to that extent reduce the risks of disease. The "law" remains a truth; but the old illustrations

of it have more or less ceased. The law of population is an analogous case.

If it be still affirmed that even the generalisation of past experience is not true, I would ask whether he who denies has read Malthus's book. It has long been notorious that most of his impugners have never read him at all. Long ago, Nassau Senior penitently avowed that he had for years been discussing as the doctrines of Malthus what turned out to be mere hearsay perversions of them; and Harriet Martineau testified that during many years in which she habitually heard him discussed and denounced she hardly met a single person who had seen even the outside of his book.[1] As there have been in all at least eight editions—the seventh and eighth being large and cheap impressions within the past forty-five years—he must have had a fair number of readers in our own time; but I fancy the old procedure of denouncing and denying without investigating is still common.

It proceeds normally, I think, on a confident assumption that the so-called law of population *cannot* be true; that "where Providence sends mouths it sends meat"; and that if human life were normally generated in excess of subsistence we should all somehow know about it apart from Malthus. Well, mankind did pretty well know all about it before it became a rule of life

[1] Refs. in Bonar, as cited, p. 3.

to conceal certain facts. An illiterate ancient pagan, *redivivus*, could tell the unstudious modern Christian that the phrase about mouths and meat is a proverbial falsism. He who tells us that over-population is a long way off either means (*a*) that the world as a whole is not over-populated, and that we can send our surplus abroad—which is an implicit confession of the truth of Malthus's doctrine—or (*b*) that if only we altered our social arrangements immediately we should be able at home to feed all who might be born, which again concedes the primary case, since it is thus admitted that the *existing* social arrangements do not provide for the feeding of all born.

At this point the inquirer's outlook will be cleared for him if he will but face the fact that at no past stage of human history have all born been tolerably provided for save where effectual steps were taken to limit the number born, either (*a*) by limiting the number or restricting the date of marriages or (*b*) by destructive resort to vice—or by both; or (*c*) by compulsory emigration. There is indeed one apparent class of temporary exceptions—the case of which the American Colonies and States, before and in Malthus's day, are the most familiar instance—where a population fairly well supplied from without with resources of older civilisation finds itself in a new country with an abundance of unclaimed land. There, net population can actually increase

so rapidly, being practically unchecked by vice and misery, that it might plausibly be said that all who are born are provided for. Even this is not strictly true; for in such conditions the death-rate is still comparatively high by reason of inadequate medical service. But let us waive the qualification and let the claim stand.

Now, Malthus not only recognised this kind of case, but put it in the very forefront of his exposition, as proving by actual demonstration the strength of the principle of reproduction. Given free play, he pointed out, it could double a frontier population in as little as fifteen years; and it could double the whole population of the early United States in twenty-five years, with due allowance made for immigration. If, then, population actually could thus increase in good conditions, how enormous must be the presumptive destruction or merely vicious prevention of new life going on in the older countries, where, through their unfavourable conditions, net population increased at a much slower rate. Keep in view that vital distinction between gross population and net—the gross being the total number born, and the net the increase of the living, between census and census—and you will have removed a source of much misconception as to Malthus's meaning.

Obviously, the exceptional cases, so plainly temporary in their character, only made clearer

the law as to the normal case. Instead of being called a danger of the future, over-population might truly be described as the slowly lessening colossal curse of the whole past. It was presumably at its worst in the earliest stages of humanity: certainly population in that epoch can have increased only very slowly. We are still told that "free access to land" would make an end of material social evils. It was when access to land was most nearly free—when it was in a sense absolutely free for whole tribes—that net population increased most slowly, largely by reason of the universal play of the murder check. Infanticide, starvation, tribal war, did the work when there were no landlords either in theory or in practice. The human animal at that stage, like other animals, certainly produced offspring the bulk of which could not find food. The hunting stage can never have been one of abundant net population; but as certainly it had a high birth-rate. What became of most of the births we partly saw at our outset. Chronic starvation, disease, and warfare kept the rest within a narrow limit from age to age.

A word should be said on the apparent phenomenon of declines of population not clearly attributable to famine, war, or pestilence. One disputed case is that of the Roman Empire in general; another is that of Greece in particular, as discussed by Hume in his essay *Of the*

Populousness of Ancient Nations. As regards Greece, though Hume convincingly shows how exaggerated had been the estimates accepted by Wallace of the population of the pre-Roman period, there is reason to sum up that after Alexander there was an economic exodus from Greece into the newly-conquered countries where Greeks could command more wealth and luxury. The imposition of heavy taxation on Greece in the Roman period would tend to reinforce that exodus. As regards Italy, the broad causes of depopulation were clear even in the republican period. Small cultivators had been through whole regions cleared out by rich buyers of great estates, who tilled them, if at all, by slave labour. In the cities, "vice and misery" increasingly did their work; to say nothing of infanticide and the wholesale practice of abortion.[1] Further, prolonged pestilences became frequent; and malaria, an old scourge, resumed its sway in the ill-tilled districts of Italy, where it remains to this day a standing menace to vitality.[2] There is no proof of any other adjustment of population to subsistence in Italy and Greece; and there is no evidence of abnormal depopulation in other parts of the empire.

As to cases of degeneration among backward and discouraged tribes, such as the aborigines of

[1] See *The Evolution of States*, pp. 26, 112, 117.
[2] *Id.*, pp. 90–1.

Tasmania and the Redskins, they are plainly cases of virtual decline of subsistence through change of environment, and consequent demoralisation, vice, and loss of vitality. The case of the Maories is instructive. In the old days they cultivated the valleys, but lived for safety on the hills. After the British conquest they came to live, in white man's fashion, in the valleys, where they were now safe, and consequently suffered rapid diminution from consumption—somewhat as Welsh slate-quarrymen become consumptive when they work in the coal-pits. But after many had died, the immune survivors bred afresh: there was no failure of the principle of population. In a word, that principle holds for all normally placed peoples. All declines of the birth-rate in modern times are demonstrably due to the deliberate practice of prudential restraint in marriage—a factor partly at work in France before the time of Malthus, rapidly developed there after the Revolution, and thence developed at intervals in England and elsewhere. It is a complete departure from the *prescription* of Malthus; but instead of being, as some fallaciously infer, a disproof of his "law," it is the completest possible vindication of the economic truth of his primary doctrine.

There are still current, it is true, optimistic "refutations" of the law of population. Replies rained on it through fifty years; there being five

to the first and short form of the *Essay*; though Godwin in 1820 declared his surprise that no one, so far as he knew, had "attempted a refutation of the main principle."[1] Godwin himself had, in fact, accepted the main principle in 1801 in his *Thoughts on Dr. Parr's Spital Sermon*[2]—as he well might, having put it by implication in his *Political Justice*. His belated reply, so far as it dealt with the scientific doctrine, is an absolute nullity. It consists substantially in asking, "If population thus tends to exceed subsistence, why is the world not yet peopled?" to which the answer is Malthus's book, and Godwin's own prior avowal. The world is not yet peopled because difficulty of subsistence has not allowed it to be. Godwin, now personally demoralised,[3] seems in fact to have lost the power of understanding the issue, though he writes with plenty of vigour against what he called, in a letter to his wife, "this accursed apology in favour of vice and misery, of hard-heartedness and oppression."[4]

Such language is its own commentary. In so far as it may obliquely refer to Malthus's political prescriptions, it is remotely intelligible; but as

[1] *Of Population*, Pref., p. vii.

[2] Bonar, as cited, p. 358.

[3] It is noteworthy that the otherwise demoralised Coleridge, who could so ill provide for his own family, was equally violent in his denunciation of Malthus.

[4] Kegan Paul's *William Godwin*, 1876, II, 260.

a confutation the book was dropped even by the anti-Malthusians. In 1830 appeared *The Law of Population*, by M. T. Sadler, M.P., in which was set forth the pleasing theory that, on a given area, the number of children to a marriage becomes less and less as the population becomes more and more numerous. It was duly smashed by Macaulay in the *Edinburgh Review*, as was the rejoinder which followed; [1] and Sadler's claim to vindicate the ways of God to man did not secure him readers in the next decade. In 1840 appeared *The Principle of Population*, in two large volumes, by the Tory historian Alison. The only "principle" set forth in the book appears to be that "by a singular anomaly, the rapidity of increase is in the inverse ratio of the means which are afforded of maintaining a family in comfort and independence. It is greatest when these means are the least, and least where they are the greatest." [2] Rich people multiply most slowly; the poorest do so the quickest. And this we are to take as a proof of the benignity of Providence. In reality, it is a strong confirmation of Malthus. For the rest, Alison prescribes wholesale emigration,[3] while affirming that the British Islands could easily feed a population of 123,000,000 on grain and potatoes, with about 40,000,000 acres left wild

[1] *Miscellaneous Essays*, ed. 1868, pp. 183–216.
[2] Work cited, I, 112. Cp. p. 520. [3] *Id.*, p. 538.

as "utterly unproductive" and only the half of the remainder cultivated. And withal he gloomily concludes that the possibility will never be realised; that "we are fast approaching, if we have not already attained, the utmost limit of our greatness; and that a long decay is destined to precede the fall of the British Empire. During that period our population will remain stationary or recede; our courage will perhaps abate; our wealth will certainly diminish,"[1] and so on, in the Alisonian manner. And all this, too, is supposed to illustrate the goodness of Providence.

Then came *The True Law of Population*, by Thomas Doubleday (1841 : 3rd ed: 1853), putting the hopeful view that high feeding would prevent over-population; and in 1854 followed the lectures of the Oxford Professor, G. K. Rickards (dedicated to Gladstone) on *Population and Capital*, wherein was set forth yet another "true law of population as a self-regulating power, capable of adjusting itself to the most opposite phases of society, and, in the absence of disturbing causes, proportioning the supply to the demand under all the infinitely varying circumstances of human nature."[2] This thesis the Professor regards as in harmony with Alison's, rejecting that of Sadler as having no "substantial grounds."[3] Of Alison's forecast

[1] Work cited, Vol. I, App., pp. 569–71.
[2] Work cited, Pref., p. xii.
[3] *Id.*, p. viii.

he says nothing; the one thing they are both clear about is the goodness of Providence in sending most mouths where there is least meat.

Such books duly disappear, and Malthus's remains, the classic on its theme. The last notable effort to supersede it as a scientific generalisation is made in the *Progress and Poverty* of Henry George, who gathers up and repeats, without any attempt at logical combination or reconciliation, all the old objections and all the old substitutes. The primary biological issue is never really faced: we have but a series of incoherent and mutually contradictory cavils —that Malthus is arraigning Providence; that the danger is a long way off; that nevertheless it is here, arising from bad government; that there is no principle of excess, because families die out, and the descendants of Confucius, though provided for by the State, are only a small body after 2500 years; that population need not expand in perpetuity, any more than a dog must grow for ever; that the world is not yet peopled; that if there were a tendency to over-population, it would have been widely recognised long before Malthus; that dense population is more favourable to plenty than thin: the more the merrier; that, nevertheless, a beneficent Providence has arranged that when there are just enough, the multiplication will spontaneously cease without any play of vice and misery; that intellect will

prevent over-prolificacy; that plants and animals increase faster than men—all the old round of blind objections. It is an argument chasing its tail.

Again and again George surrenders the case—as when he says that over-population is correlative with misgovernment; that when there are plenty of people, the check of intellectual development, thus declared to be necessary, will avert over-crowding. Always he puts the telescope to a closed eye. The pretence that over-population was not recognised before Malthus is the last word of historical ignorance, uttered in the face of the records of infanticide, migrations of peoples, and the practice and debates of antiquity. The cry that the world is not yet peopled, uttered a thousand times since Godwin, is the expression of the sheer intellectual collapse which will not face the twofold fact of the germinal waste of Nature and the universal struggle for existence in all life.

It will be observed that with hardly an exception, from Godwin to George, the deniers of the law of overplus in population make their denial on theological grounds, deistic or orthodox. They start from a presupposition. Now, this is not the place to discuss theology; but it is the place to insist that theology shall not be obtruded on science. Malthus had his theology like his oppugners, and held that he could theologically

justify himself against them. In reality, he had made a scientific induction; and it is on induction that his scientific case stands, like that of astronomy, geology, biology, and any other science. Within the sphere of any given science, properly so-called, theology has for the scientific student no place. It is just as fatal to real knowledge in sociology as in geology, from which it had to be expelled before any truth could be reached. Readjust your theology as you will in the light of science; call it a science in itself if you please; but recognise that if you bring it *into* any one of the other sciences, seeking to substitute its data for theirs and its presuppositions or conclusions for their inductions, you are not debating with men of science, but simply appealing to other theologians. Its claim has been quashed in any other regard. "Hands off," the veto hinted by Bacon three hundred years ago, has become an intellectual law for instructed men.

If you still insist on letting theology shape your politics and your ethics, thereby excluding these from the normal play of science, you will doubtless join in the denunciation of the neo-Malthusian doctrine which substituted for the profoundly wrong social prescription of Malthus one framed in terms of a human and humane ethic. It was at this point that Malthus ceased to be inductive, to be scientific, to be even

plausibly practical. I do not say that he was strictly unscientific in his political prescription, though he was demonstrably wrong. Dreading the effect of cheap food in stimulating population where it was already in excess, he opposed the repeal of the Corn Laws; and, like Dr. Chalmers, he even laid down the principle that a gentry class ought to be maintained in the interests of the State and the interests of economic consumption, though he did not endorse Chalmers's preposterous proposal that the State should find a sufficiency of posts for landowners' younger sons at £1000 a year—a counsel fitted to make Bacon turn in his grave. But Malthus's doctrine of postponement of marriage was hopelessly wrong from every point of view.

To begin with, it stultified, and was stultified by, his own policy on the Corn Laws. Either he believed that postponement of marriage could and would be acted on among the workers, or he did not. If he did, he had no right to keep up artificially the price of food, seeing that, by making it so much harder for men to save, that policy only postponed the more the possibility of marriage for the mass.[1] Secondly, on his own

[1] Of course he tried to argue down this difficulty. Cp. the *Essay*, Bk. III, Chs. X–XIII, and *Principles of Pol. Econ.*, Bk. I, Ch. IV, § 3. In the end he candidly modified his attitude on the Corn Laws (*Essay*, ed. 1872, p. 367, note), though he stuck to the fallacy that dear food meant high wages.

view; scarcity of food meant scarcity of capital [1] —another hindrance to employment and an enhancement of the evil of population. But the worst aspect of all was the inevitable promotion of vice and the moral misery of vice. The bulk of the manhood of the country was to postpone marriage till money enough had been saved by each man to enable him to rear a family in comfort—a further fatal economic blunder, seeing that such multiplied saving meant multiplied under-consumption and consequent unemployment. But the economic blunder was as nothing beside the moral.

A society obeying the prescription of Malthus would be a society mainly of middle-aged or elderly men with young wives, with a *vis-à-vis* of old and young bachelors, many impecunious, many making their pile. Thus "misery" was to be averted at the price of the most inevitable multiplication of vice that the world had ever seen, with *its* moral misery framing the picture of the virtuous households of old or elderly husbands and young wives. If Malthus could not see that this would be the infallible result, he was at this point as visionary as Godwin, and had no right to dismiss Godwin's visions. In the first edition of his *Essay*, bent only on confuting Godwin, he expressly affirmed that

[1] Cp. Professor Cannan, *Distribution and Production*, 1893, p. 113.

postponement of marriage meant vice and misery: the later prescription of it as a social remedy was confessedly a change of front. And we are compelled to suspect, especially in view of his Corn Law policy, that he had no real faith in his own prescription, but was simply maintaining doggedly an orthodox position which he could not rationally justify. The Church on this side of the question played a sorry part. Where Malthus was right, it aspersed him. Where he was wrong, it backed him. The Rev. Richard Jones, his successor at Haileybury College, a much more unctuous cleric than Malthus ever was, on the one hand foully aspersed all those who advocated early marriage and parental prudence, and on the other indicated as a preferable state of things one in which "not vice and misery" but a practice which meant "not unmixed vice" or "faultless moral restraint,"[1] was the check on over-population. If any of the clergy of to-day will follow him on that line, let them. Hypocrisy will then be duly self-advertised.

Such, then, is the scientific and the ethical situation. Malthus gave a true diagnosis of the social malady and a hopelessly bad remedy. Of those who accepted his science, one school—deriving in England, as Dr. Bonar has pointed

[1] *Essay on the Distribution of Wealth*, 1831, Pref., pp. xiii, xviii.

out,[1] from Robert Owen—refused his deadly remedy and accepted that suggested by Condorcet and adopted by the peasantry of France [2] —reasonably early marriage, with parental prudence. It had the assent not only of Condorcet, but of James Mill, John Mill, Francis Place, and Grote;[3] as it had, at a later period, that of Bradlaugh, to say nothing of the unpublished approval of hundreds of clergymen, and hundreds of thousands of decent men and women. He who vilifies all these I am content to label as a copromaniac.

On the ethical issue I will say nothing further here but this, that the anti-Malthusian position, alike in the old and in the newer sense of the term, stands for a choice on the side of the checks of misery, vast infant mortality, pervading poverty, wholesale prostitution, and illegitimacy, as against reasonably early marriage and small families. Every aspersion, then, which the anti-Malthusians cast against their opponents recoils

[1] *Malthus and his Work*, p. 24.

[2] The practice seems to have to some extent been customary in Italy from the Renaissance onwards, and to have thence become known in France. See Dr. J. Rutgers's *Rassenverbesserung* (German trans. from the Dutch, 1908), p. 251, citing Dr. Felix, Freiherr von Oefele, "*Anticonceptionelle Arzneistoffe*" in *Die Heilkunde*, Wien, 1898, and the *Life of Cellini*, Goethe's trans., Bk. III, Kap. VII.

[3] See the careful investigation and record by Mr. James A. Field, "The Early Propagandist Movement in English Population Theory," in the *American Economic Review*, April 1911.

with shattering force upon themselves. It is they who, consciously or unconsciously, are the champions of evil as the means to alleged good, here emulating the ancient Mexican priesthoods of human sacrifice.

It remains to follow out carefully the economics of population on the side of industry. The subject is not so simple as Francis Place, James Mill, and even John Mill apparently supposed it to be. Neo-Malthusianism (here, I fear, I am in conflict with some of my neo-Malthusian friends) is not a panacea. It is not that we need be troubled by such questions as the possible entry of Asiatic and other races into the field of the European, and the alleged danger of "sterilising the skilled artisans," or the bugbear of "race-suicide"; but that we shall have to recognise the inadequacy of *laissez-faire*, even with restraint of population, to secure the due maintenance of production. There can be no withdrawal from the policy of Old Age Pensions: rather, it must be extended. The attitude of many if not most Socialists towards Malthusianism has been, in my opinion, unintelligent to the last degree—a throwing of mud at a doctrine which an intelligent Socialism would make its own. But, all the same, the Socialist economics, properly handled—which again is not always done by professed Socialists—has a criticism to bring to bear upon individualist neo-Malthusianism

which the supporters of that, as economists, will do well to assimilate. The whole remedial doctrine is a wider thing than either neo-Malthusianism or socialistic anti-Malthusianism. Both are unsoundly optimistic; though the latter is certainly the more gratuitously and dangerously optimistic of the two.

VIII

THE ECONOMICS OF POPULATION (II)

WHEN Malthus put forth his first *Essay* in 1798, as he remarked in the preface to the fifth edition, England was in "a period of extensive warfare, combined, from peculiar circumstances, with a most prosperous foreign commerce. It came before the public, therefore, when there would be an extraordinary demand for men, and very little disposition to suppose the possibility of any evil arising from the redundancy of population. Its success under these disadvantages was greater than could have been reasonably expected." We may hope, then, that even in a time of far greater "demand for men," thoughtful citizens may be found to face the problem of over-population with the recollection that, after the Napoleonic wars were over, our fathers found redundancy of population a very present trouble. In Germany, we are told, there is now being officially urged a brutish policy of indiscriminate procreation, to provide future food for powder. In England it has not only evoked no assent, it has been widely and warmly execrated. Men and women here realise that the

polity of population for population's sake means brutality upon brutality. The moral atmosphere thus remains sane.

What we have to consider is, primarily, the need for further restriction of the birth-rate, to the end of better life for both parents and children; and, secondarily, the effect of such a reduction on the labour market. The first is really the most pressing consideration of all. When, in the first six months of the war, inquiry was made as to the amount of distress in towns, especially in London, it was found that (apart from the short period of unemployment in the cotton trade), while the unskilled labour that is most subject to distress was in general unusually prosperous, distress did exist in a number of cases, which generally turned out to be those of large families. Now, everybody desires to relieve distress, however caused, and to secure that infants, however born, shall be properly nourished. But it is none the less obvious that when ill-paid workers beget large families they are heedlessly imposing distress on the community, and that their over-breeding is very apt to mean not only poor life, but lives poor in quality. If it be true, as some allege, that some employers desire a reserve of poor labour, all the more ought those who condemn that attitude to discourage large families among labourers. At once to discredit parental prudence and to condemn those

who are supposed to desire a reservoir of poor labour is simple self-stultification.

The word and the cult "Eugenics" have come, whether designedly or not, to the support of the cause of birth-limitation. The doctrine of "quality, not quantity," must appeal to every one capable of harbouring a social ideal. Quantity is in detail and in the lump the enemy of quality. Even if the large family be bred of sound stocks, it cannot have as good an upbringing as the small family. The father, if conscientious, is over-toiled; the mother is physically over-tasked and morally over-strained, living in a perpetual round of nursing and physical tendance, in which her own mental side has no chance. And the children, crowded in small space, ill-supplied with food, clothing, room, and air, fare as ill as saplings too thickly planted. The girls, still children, have to nurse and tend the smaller ones; the boys seek the streets for playground; if all do well in the scramble, it is a miracle. Needless to say, such large families mean a high death-rate, let sanitation do what it will.

On the plainest grounds of common sense, the parents should be taught to limit their families. There are always neighbours who can tell them how; and if charitable visitors would but suggest such courses they would do an amount of good that they cannot otherwise hope to attain. As

for the sentimentalism or Socialism that denounces society for the visible evil, it is an abuse of philanthropy. Society does provide, no doubt imperfectly, public relief for the distress; but it is folly to suppress the comment that heedless parentage is to blame for causing it. When it is announced that an agricultural labourer with fourteen children has a bad time of it, there are always zealous reformers who demand that he shall have proper housing accommodation. It is really necessary to protest. Are the authorities to build houses with accommodation for labourers' families of sixteen? Are we to have a percentage of such houses, beckoning for monster families? That way madness lies. The philoprogenitive parents must be told that they have no business to have families of fourteen, or ten, or eight.

Many observers, since Smith, have noted that it is usually poor people—crofters or curates or labourers—who have such large families; and the sage Alison, as we saw, found this to be part of the plan of Providence. The discovery belongs to the order of that other, that a beneficent Providence has caused rivers to flow by large towns. Common-sense suggests that the well-to-do people deliberately limit their families, being concerned to give themselves and their children the better chance of good life that goes with the smaller family. Even curates are

learning the lesson. If poor labourers have not learned it, it is partly because they have not been better taught by those who know, partly because they have been positively mistaught—by the curates. Let them be taught that it is their plain duty to their families to keep those families small; that they cannot give a good life to large families; and that they cannot with large families have a good life for themselves, and one of the worst aspects of British poverty will begin to disappear.

Even the sentimentalists, we may presume, can realise that, supposing local authorities could be bullied into providing houses for agricultural labourers with fourteen children, the farmers certainly cannot be induced to pay such labourers the double wages necessary to clothe and feed their swarm.[1] By no possibility can wages be generally adjusted to the size of families. Even if the skilled bachelor, supporting, it may be, his mother, would consent to work for less wages than were given to a less-skilled married man—and I have never known a bachelor with such views—the married men with small families would certainly not consent to work for proportionally less wages than were given to men no

[1] Catholic propagandists, apparently, cannot realise it. One of them sagely directs me to have recourse to "common-sense," and agitate for increased wages all round. No ray of economic thought can penetrate the intelligence of the dogmatist, whose "common-sense" is common nonsense.

more competent who merely had larger families. This is a side of the wages question that must be handled by the individual wage-earner for himself. He has no earthly right—and he will find it of no avail to urge a heavenly one—to be paid extra because he begets extra children. If he has counsellors who urge him on patriotic grounds to increase and multiply, let him call upon them to finance the procedure.

By keeping his family reasonably small, he not only lightens the physical burden of his wife and himself: he in effect raises his wages. Is he, then, doing anything to curtail production? Does he tend to make labour unduly scarce? There never was an idler fear. The argument on the subject keeps its head above water only by proceeding in a vicious circle, evading the rebuttal at each step by starting a new thesis. Commonest of all openings is the cry that "if the prudent people limit their families, the imprudent will not limit theirs; and the country will then be peopled from the worst stocks." In this formula there are involved four distinct falsities.

To begin with, prudent people have for many generations been limiting their families. In France the agricultural mass have been doing it for over a hundred years; and the bulk of the townsfolk have long followed suit. France, then, is not being over-peopled by the improvident. The simple fact is that mere knowledge

generally suffices to make improvident people provident on this point; and that when they have learned to be provident in the fundamental matter they tend to become provident in others. In England, apart from the early popular movement started by Robert Owen and Francis Place and taken up by Richard Carlile,[1] and the later and far wider popular movement which received new life after the prosecution of Charles Bradlaugh and Mrs. Besant in 1877, prudent middle-class people practised prudence without seeing any falling-off in middle-class population. The simple truth is that the improvident poor do not *rear* their large families, though they maintain a high enough net-rate to force emigration. They mainly swell the death-rate, often rearing but a few children, or none at all, at the cost of protracted misery for themselves and their ill-starred offspring alike.

Sometimes (2) the theory appears to assume that family limitation by many will so ease the labour market that the other people will be induced to enlarge their families. This view, if it be seriously held by any, is a wild misreading of social facts. To begin with, the heedless people never calculated the matter at all. They merely followed their instincts, blindly and ignorantly; and they can never be more heedless than they were. But, in the second place,

[1] See the research of Mr. J. A. Field, above cited.

(3) family limitation has never yet in any country reduced the labour supply to the point of making abundant openings for unskilled labour. Even in Australia, with a very low birth-rate, precautions have been chronically taken against immigration. Two simple statistical truths ought to be assimilated at once. In the first place, the limitation of families, while reducing gross population and so reducing misery, may mean as large a net population as would have been attained with large families. Of the lesser number born, a much larger percentage will survive. In the second place, sanitary and medical science has within the past generation or two greatly reduced the death-rate from without, as it were.

Does it not then follow, it may be asked, that the children of the thriftless begetters of large families *are* being thus enabled to replenish the earth? The answer is (1) that the others are not giving them the alleged extra room that was supposed to be likely to encourage them; and (2) that even sanitary and medical science cannot prevent a relatively high death-rate among large poor families. In a word, (3) the prudence of prudent married folk does not mean that their offspring are being progressively outnumbered by that of the imprudent: on the contrary, it means that their children are likely to rise in the world as against those whose parents gave them a poorer chance.

The outstanding statistical fact is that, with a considerable and nearly continuous fall in the birth-rate during forty years, the population of Great Britain and Ireland has increased in the same period from 34,000,000 in round numbers to 46,026,483 (1913). In recent years, when the continuous fall in the rate had become marked, nearly the whole of the English Press, including journals which claim to do independent thinking for Liberalism, raised a panic clamour, at the supposed prospect of what Mr. Roosevelt has made it the fashion to call "race-suicide." In 1913, Mr. A. J. Mundella pointed out to the editors of two of the journals in question that their empirical interpretation of the term "birth-rate" was a blunder, and that their inference as to decline of population was a delusion. I know not whether the lesson was learned; but it seems advisable to repeat his demonstration, lest we should be again confronted, after the war, with an exhibition of sociological fallacy on the part of Liberal journalists which cannot fail to be prejudicial to progress.

Twenty years ago or less, journalists of the same school were confidently proclaiming that on the one hand the fall in the birth-rate had demonstrated the falsity of the Malthusian "law" of population, and on the other hand that the large production of cereals in America and elsewhere had made an end of all apprehension as

to the race's food supply. Both statements revealed failure to understand the problem, which the writers had simply never tried to master; and the second is now generally perceived to have been a display of ignorant optimism. The fall in the British as in other birth-rates was precisely the result of the widened popular recognition of the truth of the Malthusian law of population which followed on the prosecution of the Knowlton pamphlet in 1877. That prosecution forced into general knowledge a matter that formerly had been brought to the knowledge only of a small minority. It no more "exploded" the scientific truth as to the principle of procreation in Nature than the knowledge and application of sanitary science explodes the truth that bad drainage multiplies disease.

As to the world's food supply, we have had in recent years pronouncements from men of science which put in the gravest doubt the possibility of any long continuance of the rate of net increase in the world's population which has been seen in the past thirty or fifty years. On the validity of those pronouncements I offer no opinion. The problem has not yet been duly considered. It is, however, quite sufficient for the purposes of practical politics to note (1) how the United States, after figuring as the "granary of the world," have rapidly approached the

position of requiring their whole cereal output for themselves, and looking for fresh supplies to Canada; and (2) how, time and again, harvest failures have occurred on a vast scale over the whole American continent, and again—usually in different years—in India and Australia. In face of these facts, the optimism which dismisses all concern about the world's food supply is plain folly.

But no less absurd—in one sense, doubly absurd—is the panic about "race-suicide" raised by the same school of journalistic thought over the figures of declining birth-rate in the more advanced civilisations. As Mr. Mundella pointed out, that cry is raised in the face of a continuous increase in our net population—alongside, I may add, of continuous emigration. Let us take the figures supplied by the Annual Report of the Registrar-General in 1912. In the years 1891–5, the total number of births in England and Wales was 4,539,266; the deaths per 1000 born were 150 in the average; and the number alive at one year old was only 3,854,478.

In the years 1896–1900, the total number born was 4,615,887; but the average death-rate per 1000 born was 156, and the number alive at one year old was only 3,895,089. In the years 1901–5 the total number born was 4,693,269; but the average death-rate per 1000 born had fallen to 137, and the number alive at one year old had

risen to 4,046,646. In the years 1906–10, the total number born had fallen to 4,604,940, but the national death-rate had almost continuously fallen till in 1910 it was only 13·5 per 1000 living; the infantile death-rate had fallen to 105 per 1000 born; and the number alive at one year old was 4,066,526.[1]

Thus, when we compare the five years 1901–5 with the five years 1906–10, we find a lower birth-rate, a decrease of 88,329 in the number born, but a much lower infantile mortality, outweighing that decrease and showing an increase of 19,380 in the number alive at one year of age. Nor is that all. As Mr. Mundella had to explain to the Liberal journalists in 1913, the birth-rate is a *percentage* of the population; the official figure representing the births per 1000 living. If then the death-rate so falls that by

[1] I append the statistics in tabular form—

	Born.	Deaths per 1000 born.	Births per 1000 living (average).	Deaths per 1000 living (average)	Alive at 1 year old.
1891–5	4,589,266	150	30·5	18·7	3,854,478
1896–1900	4,615,887	156	29·2	17·6	3,895,089
1901–5	4,693,269	137	28·1	15·9	4,046,526
1906–10	4,604,940	132 118 120 109 105	26·2	15·1	4,066,526

In 1914 the birth-rate had fallen to 23·8. In 1876 it was 36·3.

reason of the lengthened lives of the aged and the saved lives of infants the number living is larger than formerly, even a maintained level of births would represent a *lower birth-rate*—that is, a lower rate per 1000 living. When, further, a falling aggregate number of births actually coincides with an increase of infant population of one year old, the folly of the cry about race-suicide becomes tolerably clear. When we are editorially told that the figures show a "Refusal to Multiply," we are compelled to ask two questions: (1) Has the editor really studied the figures, or only drawn a loose inference from the ratio; or (2) if he has noted the figures, how much multiplication, exactly, does he want? As one cannot suppose that a Liberal editor wants overcrowding for overcrowding's sake, one seems driven to suppose that the cry of warning has been raised without any comprehension of the facts of the case. In any event, it falsifies them.

One psychological and three statistical delusions, I hope, have thus been disposed of. But the statistical error in the matter is a comparatively small thing beside the moral error—to call it by no harder name. For the prescription to prudent people to behave imprudently in the supposed interests of the race is really so inhuman that only utter levity or bad perversion of judgment could secure it currency. You say to A.:

"Your reckless neighbour B. has a dozen children: and C. is likely to have as many; if you have only three or four, they will thrive and propagate their thriftless stock. You too, then, must become thriftless in propagation in order properly to crowd his children out." Thus wilful poverty is to counteract heedless poverty; hardship is to fight hardship; and population is to be killed out by more population. It is comforting to reflect that no really prudent man or woman can ever be guided by such senseless counsel. But it is necessary to expose the gross heartlessness of the prescription, in respect of the implied moral consequences; and the crass stupidity of it on the side of social science.

The formula of the "sterilisation of the skilled artisans" is but a sophistication of the other. If "sterilisation" be honestly meant, and is not an unscrupulous falsification of the doctrine of *small* families, the answer is that skilled workers are no more likely than unskilled to be desirous of having no children. Being in general the more thoughtful, they realise the fundamental unreason of limiting the number of apprentices on the one hand and not limiting the number of children on the other. If by their prudence they place their children on a still higher level of social advantage than their own, they are so far helping to raise the economic levels for all labour.

While large numbers of the workers are thus

bettering the conditions for the whole mass, not only journalistic but official pronouncements exhibit a positive failure of adaptation to the real needs of the expanding population. Because the annual number of births fell from 948,000 in 1903 to 872,000 in 1913, the Board of Education announced on April 10, 1913, that despite the great fall in the death-rate "there is no such diminution in the child mortality as would counterbalance the effect of the diminution in the birth-rate." This was simply not the fact. While the birth-rate was falling, the number of children of five years old had actually risen from 704,896 to 767,987. And eight days after the grossly mistaken pronouncement of the Board of Education, the Local Government Board announced that "the numbers of children living between the ages of five and six years in England and Wales on April 1, 1903, April 1, 1912, and April 1, 1913, are estimated to have been as follows: 1903, 704,896; 1912, 761,442; 1913, 767,987."

On the face of the case, the Board of Education, making a false deduction from the fall in the birth-rate, had actually been failing to provide proper accommodation for an increasing number of school children, though the Local Government Board had the official statistics which showed the error. If there is to be wise handling of these problems, our State depart-

merits all round must get out of the rut of tradition and preconception. The common attitude on the subject of birth-rate and population is scientifically on a par with the old mercantile theory of imports and exports. It is an empirical hallucination.

Is there then any better grounding for the fear that restriction of birth-rate in any one nation or set of nations constitutes a military danger in view of the higher birth-rate of others? The commonly avowed basis for this misapprehension is the case of Germany, which, partly by reason of the transference of territory after the Franco-German war of 1870, has greatly increased in population while France has become nearly stationary. But no notice, broadly speaking, has been taken among anti-Malthusians of the fact that in Germany also restriction of the birth-rate has begun, and that against the demand of the German militarists for a brutal promotion of breeding among the proletariat there is arrayed the growing determination of the more instructed workers to shape their destiny on that side in their own interest. In the years 1913–14 all Germany was discussing the population question.[1] One investigator, who examined over a thousand cases of the maternal history of women married

[1] See the list of publications given in *Fecundity versus Civilisation*, by Adelyne More (with a Preface by Arnold Bennett): Allen & Unwin, 1917, pp. 12–13.

more than ten years, reached the conclusion that among the richer class in Berlin the average number of children to a marriage was two, while among the poorer classes it was five; and that on the average less than 50 per cent. of the poorer children survived to their teens.[1] Thus went life in "sterile Berlin."

Yet, while in other German towns also, largely through Socialist influences, the birth-rate was falling, Germany as a whole was so densely populated that the general level of comfort was admittedly lower than in France; and this very sense of over-population has justly been regarded as one of the factors in the blind proclivity to war which visibly affected Germany as a whole. And is this, then, an argument in favour of blind multiplication? That is what we come to, on the international as on the domestic side of the question. The anti-Malthusians always end in prescribing the deliberate increase of hardship, with a tendency to a maximum death-rate, by way of safeguard against over-population by other people or other nations. Certainly that is the German official doctrine. In the debate on the birth-rate in the Prussian Diet in February 1916, Ministers lamented bitterly the fall in the German birth-rate since 1900, which, they declared, meant two and a half millions less of

[1] Pamphlet last cited, p. 12, referring to Felix A. Theilhaber, *Das sterile Berlin*, 1913, p. 105.

population than they might otherwise have had; and they promised themselves that before the next war arrives they will have remedied the evil. Thus, in the country in which multiplication of births is still most loudly clamoured for, the doctrine connects unmistakably with aggressive militarism.

What would happen if the German people could be dragooned into deliberate over-breeding as they have been dragooned in other respects, we need not inquire. It will be time enough to consider that portent when it arrives. Meanwhile we have the most explicit testimony to the general refusal of the German workers, before the war, to accept the advice given them on the platform even by Socialist women, notably Rosa Luxembourg and Clara Zetkin, to increase their families.[1] Dr. W. J. Robinson, President of the American Society of Medical Sociology, and of the Northern Medical Society of the City of New York, has told how in 1913 these ladies addressed mass meetings of the German Social Democratic Party. While the ordinary meetings of the party had of late been poorly attended, these were crowded to suffocation. And it turned out that meetings called "against the birth-strike" furnished

[1] There is some perplexity about this report, as the ladies named are understood to be strong anti-militarists. It may be that they thought the "birth-strike" was setting up an anti-Socialist prejudice.

overwhelming majorities in favour of the birth-strike. The anti's were hissed, and could hardly get a hearing; the advocates of birth limitation were cheered long and loudly.

That that temper will be reversed at the order of a governing class which commands them to breed like cattle I am quite unable to believe. Here is the summing-up of Dr. Robinson, who attended one of the meetings, which lasted until 11.30—

"Whether the limitation of families is to be considered a revolutionary weapon against militarism and capitalism is questionable; but that it is a wonderful measure in improving the condition of individual families, in guarding the health of the women and in generally strengthening the working classes in their political and economic battles—about this there could be no question. And the feeling was that though the Clara Zetkins and Rosa Luxembourgs, and all other literal and figurative old maids, could talk and scold until doomsday, the diminishing birth-rate will go on diminishing still further, until such a time when the people will feel that by bringing a child into the world they are not increasing the sum total of human misery, ill-health and wretchedness." [1]

The broad fact is that the German birth-rate, which in 1876 was 42·6 per 1000 inhabitants, had fallen in 1912 to 29·1; and in 1913–14 is esti-

[1] Rep. in *The Critic and Guide*, October 1913; quoted in *Fecundity versus Civilisation*, pp. 39–40.

mated to have fallen to 27. The decline visibly set in about 1900, when the rate was 36·8; and the rate of decrease has since then been more rapid than it ever was in France or England. In Berlin in particular, where it was over 45 per 1000 in 1876, it had fallen by 1912 to 20·4, and by 1914 to about 18 per 1000. After the war there may very well be such a temporary recovery as usually follows upon wars; but it will be strange indeed if the whole limitary movement of the first fourteen years of the century should be reversed. In that case the German people will have become more truly than ever the serfs of their militarists, embracing misery and degradation for themselves in the hope of inflicting it upon others. And that is only to say that they will be not more but less to be feared than before; for such a people cannot yield the elements of military strength; and it would be the last flight of folly for the other nations to adopt their policy of *moral* race-suicide in order to be able to defeat them. The adoption of the policy would be the embracing of moral defeat, and the surrender of the hopes of civilisation.

In dismissing this bugbear, it may suffice to note further that the military experience of this war has entirely confirmed the belief in the superior efficiency even for military purposes of the nations which seek quality rather than quantity of life. The nations with the

longest-attained decline in birth-rate, France and England, have held like iron on the Western Front. The Central Powers, relying on population, have failed as against them, after the first rush. Russia, with the largest population and the highest birth-rate of all, has shown least power of continued effort, military, financial, moral, and administrative. Assuredly the omens are not in favour of blind breeding. The restriction of the birth-rate among the rest of the human race is only a question of time. Russia will follow the lead of the western nations; and one day Japan and China will follow that of Europe. They will do so because there is no other way to good life within their own borders; and because mere over-fecundity on the part of any nation cannot now avail for the overrunning of the rest of the world. Where Germany has failed, Asiatics will not succeed. There is indeed no ground for imputing to them any racial desire to make the attempt.

We have seen that in Germany the popular motive to limitation of births has been the desire for better life-conditions, partly backed by a notion that mere limitation of labour supply will give them a new advantage as against the capitalist employer. Here, however, they are met by the economic retort that limitation of labour supply will elicit further developments of machinery, and that the latter state of the

workers will be no better than the first. There is here a twofold confusion, which it is well to clear up. In the first place, resort to machinery goes on continuously, whether the birth-rate is falling or rising. It went far, in the last century, when labour supply was ruinously redundant. The motive is always there. In the second place, as we have seen, limitation of births does not mean decline of net population. It is likely to be long before population is even stationary in our own country.

In France it became nearly so through the twofold pressure of heavy debt-burden, with relatively small increase in total production, and the determination of the mass of the people to maintain their standard of comfort. If in future it should absolutely decline under the economic burden left by the war, that will simply mean that the people are again adjusting themselves to their load, seeking to maintain quality rather than quantity. The notion that this is a kind of national decay or "race-suicide" is a hallucination correlative with modern megalomania. Population often declined or became stationary for periods in France in old times, as indeed it did in England, where the net increase of population between the eleventh and the fifteenth centuries was extremely slow. It well might be, seeing that there, as in Europe generally, probably 75 per cent. of the children born never

reached maturity. For France as for all the other belligerent countries, however, there will arise a new fiscal problem, involving that of the considerate taxation of capital for the reduction of debt; and what will be sound policy for us will be so for her. In the future, the watchword of political progress will be the reduction of idle life simultaneously with the husbanding of life in general by the maintenance of good life conditions.

And to maintain these conditions there will be required an extension of the policy of life protection developed among us during the past ten years. It is quite true that adequate provision for old age cannot be attained among the mass of the workers by a process of saving and investing money enough to yield a comfortable income. Once the exchanges of the nations revert to a normal basis by the settlement of war debts, you cannot have in perpetuity increasing production and increasing employment with greatly increasing saving for investment.[1] The old expansion of lucrative investment was correlative with the expansion of population on the world's surface. It may be indeed that the two will continue for a considerable time, the new populations —say, in South America and Africa—paying large tribute on borrowed capital in their period of expansion and new exploitation. Saving for investment, then, may on that basis be a resource

[1] See above, pp. 117–120.

even for large numbers of the workers in the older countries. But it cannot conceivably be perpetually so; and for many if not most of the workers that solution is barred.

Strictly speaking, if once we secure a general rational restriction of birth-rate, the best security for the maintenance of industry and production would be a provision of comfortable maintenance for all the workers in old age. On that basis, their steady consumption would be the stay of economic production, the best safeguard against unemployment. Without the attainment of general family limitation, such a solution could not be faced; and it has only been when the birth-rate had greatly fallen that even a small Old Age Pension scheme could be safely ventured on. Experience has justified the experiment. The prospect of the small Old Age Pension has not led to improvident breeding; and in due time our posterity will probably have the confident knowledge that an adequate Old Age Pension will not mean a risk of over-population, because the lesson will have been learned that small families are the condition of comfort for all. Men and women will not deliberately create hardship for themselves in early and middle life for the mere prospect of comfort in old age. They will seek comfort for their children: that is to say, they will limit their number.

But, be it observed, the required security is

only in process of being attained: it has not yet been realised. In hundreds of thousands of families, poverty is imposed by number. The case of the poor charwoman whose weekly bread bill alone amounts to ten shillings is lamentably common. The fall in the infantile death-rate has been even more rapid than the fall in the birth-rate; the net population steadily increases; and a large annual emigration, over and above that increase, has testified to an economic redundance of hands. Under those circumstances, unemployment in the countries to which our emigrants chiefly went—America, Canada, and Australia—must always mean unemployment here. In the American depression of 1908–9, the wave of emigration was thrown back. Obviously we must maintain and develop the State machinery for relief of unemployment, at the same time that we stimulate in every possible way the real production that directly or indirectly provides sustenance to population.

Thus far, broadly speaking, the workers have done more for themselves by their individual prudence than the State has done for them; and that is on the whole a good thing. But when they do still more the State can do more. It has given them compensation for accidents, national health insurance, old age pensions, factory laws, and mine laws, besides special protection for women and children. In these as in

other directions, there has been more active, strenuous and vital reform during the age of visible decline in the birth-rate than in the whole previous history of the country. It is not an irrational forecast then—it is a fair inference from a whole crowded generation of political and social change—that when there is a complete control of population, with no such net increase as compels emigration, the State can and will secure a more complete well-being for those whose toil sustains it. Given a substantially good system of education, with a sound fiscal system, the twentieth century may well see before its close a much happier and more contented nation than now dwells in these islands. It will, I trust, be a Federal State, with Ireland, self-governed, in contented union, competing in prosperity and in intellectual life with her sisters.

There are, as we have noted, different forecasts, plans for a revolution by class war, plans framed by men who cannot conceive of evolution save as revolution—something catastrophic, the product, not of growing good-will but of rapidly intensified ill-will, to be followed somehow by an unprecedented fraternity between a vanquished capitalistic class and its angry conquerors. The complete historical falsification of the forecast of Marx and Engels, who predicted a continuous worsenment of working-class life up to the point of complete social explosion and overturn, does

not lend apparent likelihood to the newer gospel. Recent spectacles do not tend to remove our old distrust of revolutions. If it be insisted that revolution is a mode of evolution, it cannot at the same time be denied that evolution is a protracted revolution. Now, the greatest of all revolutions, surely, is that gradually and peacefully wrought by evolutions. The England and France of 1917 are far better and more hopeful places—barring the awful hurricane of war—than the England and France of 1817, after France had had her Revolution and twenty years of war, and England the war without the Revolution.

Whatever may be the social developments and the political changes, one thing is certain : there can be no good future for the human race without a continuance of that policy of limitation of births which we now see initially established in the teeth of irrational outcry and ignorant protest. We have lived to see a Church dignitary, the Very Reverend Dean Inge, saying in effect what Positivists and Rationalists were saying forty years ago—

"*Europe with a stationary population will be in a much happier condition ; and problems of social reform can then be tackled with some hope of success.*"

Those who maintain the angry outcry against such doctrine are either theological dogmatists who discard science in things social—unless we

reckon also with men who put a principle of "following nature" that would have barred clothes and cooked food—or mistaken optimists who have resentfully seen in the doctrine of family limitation a ground of resistance to social reform. Of the Socialists who take that side, some would almost seem to desire—I have indeed heard some avow it—that social misery should continue in order to keep social discontent hotly burning. But even the mere resentful denial of the scientific truth has never been well justified. Conservatism in England has never dared openly to ground itself on the law of population. It is true that the old *Quarterly Review*, after beginning in the regulation Conservative manner by abusing Malthus, came round to the view that his doctrine could be made a Tory weapon, and grumbled only that he did not become a thorough reactionist. But the old *Edinburgh Review* stood by his doctrine from the first, without going over to Conservatism; and Francis Place, the two Mills, Grote, Richard Carlile, and Charles Bradlaugh, kept the scientific truth and the sane application in constant touch with democratic principles. John Mill never faltered in his insistence that anything approximating to collectivism must accept as its first condition limitation of births; but he was progressively more and more democratic, and even Socialistic, in his politics.

If some Conservatives held by the scientific truth, their party never spared Bradlaugh a calumny on that score. He did his work with no countenance from them; and their Press made his Malthusian propaganda the pretext for a campaign of vilification such as modern Socialism has never endured. It will be quite in the common way of historical paradox if German Socialism should in the end learn the lesson—as it seems to be doing—sooner than the English Socialism which followed the German leader in vilifying the teachers of the scientific truth. However that may be, the workers, all the world over, are learning the lesson for themselves. They are coming to see what the revolutionists will not see, that mankind cannot pass by a step from the worst to the best; and that only by a gradual betterment in which they are the intelligent sharers can they make a better world for their children than that into which they are born.

Already the more thoughtful of them know that the small family means a better life for themselves as well as for their children, a better chance in trade disputes, in so far as it means less danger of defeat, more independence in trade struggles. The small family does not have the wolf so near the door: and its better home life is less open to the old temptations to drink and disorder. Give it a still better culture life and

the disorder will still further dwindle. It would be a sad anomaly indeed if on the side of the employing class there were not an equivalent moral development, a concern to maintain and raise the standard of good life that has been reached. For such a failure would mean not merely a moral deficiency that would be a new justification of revolutionism, but an incapacity on the side of the brains of industry to read the greatest of all industrial object lessons, to master the broadest and most vital of all economic truths—the truth that trade lives and grows by good-will, within and without.

Postscript

Newspaper reports of these lectures have elicited some Catholic polemic, the main burden of which is to proclaim the very well-known fact that the Catholic Church denounces family limitation. This had also been made clear in the evidence given for the Report of the Commission of the National Society of Public Morals. A few historic facts bearing on this point may be worth noting.

1. It is obviously not simple concern for human life as such that has determined the official doctrine of the Catholic Church. The doctrine really derives from Judaic precept and practice, adopted by the ancient Church as against popular pagan practice. From this standpoint ("Be fruitful

and multiply") the Church's own practices of sacerdotal and conventual celibacy stand clearly condemned. They are nevertheless maintained on coeval though irreconcilable traditionary (really pagan) grounds.

2. On the other hand, the Church in practice lays on married women the odious command to make sexual submission to drunken husbands. It further "condemns as wrong in principle, legislation against the marriage of the physically or mentally unfit, though it may (*sic*) and does discourage such marriages" (*Report* above cited, p. 65).

3. Another result of the traditionary ethic is to lay on Catholic medical men the duty of sacrificing the mother rather than the infant in cases of dangerous childbirth (see the pronouncement of Monsignor Canon Brown, *Report* cited, p. 81). Thus in Ireland the adult life is sacrificed in the Catholic hospitals, where the fœtus is preferably sacrificed in the Protestant.

4. Nevertheless, the great mass of the Catholics in France, and multitudes of educated Catholics in England, practise family limitation—in France with the acquiescence of the majority of the priests. The Rev. Herbert Thurston, S.J., accordingly denounces the religion of the mass of French Catholics as "merely Catholicism in name" (pamphlet on *The Declining Birth-Rate*, Catholic Truth Society, 1916, p. 12), and further

complains bitterly that while uneducated Catholics, as in Liverpool, maintain a high birth-rate, "members of the educated and comfortable classes, the men especially" [by implication, in England] "are prone to emancipate themselves from all religious control, with an anti-clerical rancour hardly known in Protestant lands." Into this domestic quarrel it is unnecessary for the Rationalist or Protestant to enter further.

It may further be noted that while the official Jewish doctrine is dead against family limitation, the Prussian figures show a lower rate of children per Jewish marriage in 1895–1900 than for those of either Catholics or Evangelicals. In 1885 the Berlin figures showed the three nearly equal. In 1895–1900 they stood: 5, 4, 3·7.

Father Thurston distinguishes himself by adding to that fulmination of the Church's orders which constitutes the main Catholic argument what he calls a *reductio ad absurdum* of the opinion that there is "any necessary connection between birth-rate and death-rate." As thus (pp. 17–18)—

"Suppose that medical and sanitary science made such progress that every cause of death were eliminated except accident and senile decay. . . . Whether many infants were born or few . . . the number of those who each year attained a great age would each year become larger and larger. Even though the birth-rate were reduced

until no children were born at all, we should have a steadily increasing death-rate until the point was reached when the deaths were equal in number to the births of eighty years before. Of course this is a *reductio ad absurdum* (!), but its logical force (! !) is unanswerable " (! ! !).

In this fashion the Rev. Father could promptly " reduce to absurdity " the law of gravitation; and by only one further " suppose " he could confute the law of death. We need not concern ourselves with the Rev. Father's logic; but ethical comment is stimulated by another aspect of his polemic. On p. 7 he quotes Miss E. M. Elderton as stating in her *Report on the English Birth-Rate* (Eugenics Laboratory Memoirs : Dulau & Co., 1914, pp. 234–5) that in effect the Bradlaugh-Besant trial " has destroyed the pressure (*sic*) which carried an English population as the great colonising force into every quarter of the globe." This assertion, which simply ignores the statistics of emigration, Father Thurston in effect endorses, though he professes to be rigorous in statistics, and he or a colleague characterises as " Malthusian Mendacities " what he regards as erroneous generalisations concerning birth-rate and death-rate. The British statistics of emigration stand thus—

	Outward Passengers to Countries out of Europe.	Inward Movement.
1901	171,715	99,699
1913	469,640	227,643

The outward movement of alien passengers, again, was, in 1901, 124,354, and the inward 60,736; while in 1913 the outward figures were 232,051 and the inward 144,975. With the exception of the bad trade years 1908–9 the British emigration had increased almost continuously from the beginning of the century; and in the three prosperous years 1911–13 the average British excess of outward over inward passengers to countries out of Europe was 257,429.

Naturally Father Thurston is pained by Miss Elderton's avowal that where, as in Liverpool, the Irish element keeps up a high birth-rate, the "population appears to be inferior in skill and intelligence to nearly all the towns where the birth-rate is rapidly declining." The Rev. Father sees no occasion to correct Miss Elderton's delusion as to emigration; but on this head he sees fit to protest that she "seems to take it for granted that destitution and thriftlessness in the parents necessarily imply unfitness in the offspring" (p. 11). No such view is indicated by the quotation given. As an illustration of S.J. dialectic, however, the passage is instructive. Of the Liverpool death-rate nothing is said.

Nor does the Rev. Father, though he claims that the "natural intelligence" of the Catholics in question is "very high," make any attempt to prove that they are more sober, more honest, more humane, or more truthful than either the

Catholics or the Protestants who practise family prudence. Very significant, finally, is his strenuous hostility to improved education for the workers (p. 23). "The vast majority must inevitably earn their bread by the sweat of their brow, and we believe that they will be all the happier and more contented with their lot if, with due regard for youthful infirmity and the acquisition of the bare essentials of learning, they begin that process early." Such is the official Catholic ideal, in the twentieth century.

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